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OFFICE OF INSPECTOR GENERAL
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A Message from the Acting Inspector General

I am pleased to submit this Semiannual Report to Congress, which highlights the most significant activities and accomplishments of the U.S. Department of Labor (DOL), Office of Inspector General (OIG) for the six-month period ending September 30, 2011. During this reporting period, our investigative work led to 226 indictments, 172 convictions, and $50.9 million in monetary accomplishments. In addition, we issued 40 audit and other reports which, among other things, recommended that $677.1 million in funds be put to better use.

OIG audits and investigations continue to assess the effectiveness, efficiency, economy, and integrity of DOL's programs and operations. We also continue to investigate the influence of labor racketeering and/or organized crime with respect to internal union affairs, employee benefit plans, and labor-management relations.

In the employment and training area, an OIG audit of Recovery Act funds spent on green jobs found that with 61 percent of the training grant periods having elapsed, grantees have achieved just 10 percent of their job placement goals. We recommended that the Employment and Training Administration (ETA) evaluate the program and obtain estimates of the need for the remaining $327 million of unspent grant funds. Another OIG audit found that ETA needs to better ensure that the Job Corps' outreach and admissions service providers enroll only eligible students. If ETA's recent and planned changes to the Job Corps' student enrollment process are effectively implemented, then we estimate that nearly $165 million in funds could be put to better use by ensuring only eligible students are enrolled. Another audit estimated that up to $124 million in Workforce Investment Act funding was spent on training participants who did not obtain training-related employment, or information was insufficient to make the determination that training-related employment was obtained.

An OIG investigation found a pattern of misconduct involving the Veterans' Employment and Training Services (VETS) Assistant Secretary and two other senior VETS officials, which reflected a consistent disregard of Federal procurement rules and regulations. The Assistant Secretary and his Chief of Staff resigned following the issuance of our report.

Our investigations continued to identify vulnerabilities and fraud in DOL programs. For example, an investigation resulted in two business owners being sentenced to more than three years in prison and ordered to forfeit $2.8 million as a result of their roles in an H-1B visa fraud conspiracy. Another investigation resulted in the owner of a medical practice group being sentenced to serve more than a year in prison and ordered to pay more than $2.5 million in restitution for fraudulent billings that were submitted to DOL's Office of Workers' Compensation Programs, Medicaid, Medicare, and private insurance companies.

OIG investigations also continue to combat labor racketeering in the workplace. For example, one major investigation resulted in the sentencing of the former secretary-treasurer of the District Council of Carpenters to 11 years in prison and restitution of $5.7 million for receiving prohibited payments from contractors to allow the underpayment of contributions to the union-sponsored benefit plans, resulting in financial harm to union members. Another OIG investigation led to a former Plumbers Union worker being sentenced to three and one-half years in prison, among other things, after pleading guilty to charges of theft from an employee benefit plan and embezzlement of approximately $412,000 in union dues.

The OIG remains committed to promoting the integrity, effectiveness, and efficiency of DOL. I would like to express my gratitude to the professional and dedicated OIG staff for their significant achievements during this reporting period. I look forward to continuing to work with the Department to ensure the integrity of programs and that the rights and benefits of worker and retirees are protected.

Daniel R. Petrole
Acting Inspector General

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Selected Statistics

Investigative recoveries, cost-efficiencies, restitutions, fines and penalties, forfeitures, and civil monetary action	$50.9 million
Investigative cases opened	332
Investigative cases closed	225
Investigative cases referred for prosecution	193
Investigative cases referred for administrative/civil action	96
Indictments	226
Convictions	172
Debarments	35
Audit and other reports issued	40
Funds recommended for better use	$677.1 million
Outstanding questioned costs resolved during this period	$19.7 million
Allowed[1]	$2.2 million
Disallowed[2]	$17.5 million

1 *Allowed* means a questioned cost that DOL has not sustained.

2 *Disallowed* means a questioned cost that DOL has sustained or has agreed should not be charged to the government.

Significant Concerns

The OIG works with the Department and Congress to provide information and recommendations that will be useful in their management or oversight of the Department. The OIG has identified areas that we consider particularly vulnerable to mismanagement, error, fraud, waste, or abuse. These significant concerns are included in our annual Top Management Challenges report which is required under the Reports Consolidation Act of 2000. The recently issued Top Management Challenges report can be found in its entirety on our website (http://www.oig.dol.gov).

Protecting the Safety and Health of Workers

The OIG remains concerned with the effectiveness of Departmental programs in protecting the safety and health of our nation's workers. With more than 7,000 injuries and 71 fatalities reported in 2010, the Mine Safety and Health Administration (MSHA) continues to be challenged to effectively manage its enforcement efforts and programs to ensure that every miner returns home safely at the end of each day. For example, MSHA has struggled to complete mandatory Regular Safety and Health inspections, as mandated by the Mine Act. A recent OIG report found that although MSHA reported that it completed all statutorily required inspections of metal/nonmetal mines in FY 2010, it had recorded only "attempted inspections" at more than 5 percent of the mines because those mines were temporarily idle on the day(s) on which MSHA visited the mines. Other challenges for MSHA include maintaining an experienced and properly trained enforcement staff; applying available enforcement authorities; reducing the backlog of citations awaiting adjudication; timely setting and updating regulations and standards; and fostering the development and implementation of new technologies.

The OIG is also concerned with the Occupational Safety and Health Administration's (OSHA's) challenge in evaluating the effectiveness of worker safety and health programs. In an OIG audit we found that while OSHA is required to ensure that safety and health programs operated by 27 states are at least as effective as the programs operated directly by Federal OSHA, it lacks outcomes-based performance metrics to measure its own Federal programs. Without such metrics, OSHA cannot determine the effectiveness of either Federally operated or state-run worker safety and health programs. In addition, since OSHA can reach only a fraction of the 7 million entities it regulates, it must strive to target the most egregious and persistent violators while protecting the most vulnerable worker populations. However, the OIG remains concerned with OSHA's ability to evaluate the impact of its enforcement strategies. OIG's previous audit work has shown, for instance, that OSHA has not effectively evaluated the impact of hundreds of millions of dollars in penalty reductions as incentives to employers to reduce workplace hazards. Further, OSHA has not determined whether penalty reductions actually result in enhanced compliance with safety and health rules.

Improving Performance Accountability of Workforce Investment Act Grants

Successfully meeting the employment and training needs of citizens requires selecting the best service providers, making expectations clear to grantees, ensuring that success can be measured, providing active oversight, and disseminating and replicating proven strategies and programs. The OIG's work continues to identify challenges faced by the Department in ensuring that Workforce Investment Act (WIA) grants accomplish program objectives. For example, for a sample of 362 Adult and

Dislocated Worker program exiters, the OIG found that 37 percent either did not obtain employment or their employment was unrelated to the training they received. In addition, with the downturn of the economy, the OIG remains concerned with the Department's ability to meet increased demand for services provided by the workforce system. Meeting this increase in demand, while continuing to provide intensive services such as career counseling and case management, are critical to helping workers find new jobs quickly.

Ensuring the Effectiveness of the Job Corps Program

The Job Corps program is intended to serve at-risk, low-income youth (ages 16-24). The OIG's work has consistently identified challenges to the effectiveness of the Job Corps program. For example, we are concerned with Job Corps' ability to ensure student eligibility. A recent OIG audit found that Job Corps' policy allowing potential students to self-certify their family income levels was not effective. We estimated that 472 (10 percent) of the 4,718 active students enrolled in the program during March 2011 were ineligible for the program, because they did not meet the low-income requirements.

The Job Corps program is also challenged to improve performance and financial accountability, and ensuring health and safety. Since 2006, Job Corps has spent almost $1.5 million on consultants to improve its performance metrics and outcomes. However, a recent OIG audit found that Job Corps officials and other decision makers did not have reliable performance information to determine, for example, how effectively Job Corps placed students in jobs that matched the vocational training they received. Previous OIG work has also found that weak controls at centers have resulted in the overstatement of performance results and unallowable costs charged to Job Corps. We also found that center operators were not always awarding contracts and claiming related costs in accordance with the Federal Acquisition Regulation. Moreover, past OIG audits have identified unsafe or unhealthy conditions and a lack of required safety at some centers.

Safeguarding Unemployment Insurance

Improper payments of unemployment insurance (UI) compensation benefits are a continuing concern for the OIG. For 2010, the Department reported improper payments totaling $17.5 billion, an increase from the $12.3 billion reported for 2009. The improper payment rate also increased from 10.3 percent in 2009 to 11.2 percent in 2010. In total, the Department estimates that nearly $32 billion of improper payments occurred over the past three years. The current economic downturn has made controlling overpayments more difficult, as the number of claims filed has greatly increased and new programs had to be implemented quickly. In turn, this resulted in states shifting resources from detecting improper payments to processing claims. OIG investigations also continue to uncover fraud committed by individual UI recipients who do not report or underreport earnings, as well as fictitious employer schemes. In addition, recent investigations have confirmed criminal schemes involving employers who knowingly employ undocumented or improperly documented foreign workers for whom they intentionally fail to make the required unemployment insurance contributions. The Department estimates that about $3.7 billion of overpayments resulted from fraudulent misrepresentation by claimants.

Improving the Management of Workers' Compensation Programs

The Department has responsibility for managing the Energy Employees Occupational Illness Compensation Act Program (Energy workers' program) and the Federal Employees' Compensation Act (FECA) Program. The OIG's concern for the Energy workers' program centers on the timeliness of its claim decisions. Complex regulatory requirements and the difficulty of locating employment

and other records, as well as the inability of sick, often aging, claimants to fully understand their rights and responsibilities, contribute to the lengthy decision process. This is exacerbated by the fact that the National Institute for Occupational Safety and Health (NIOSH) must prepare a complicated and time-consuming dose reconstruction of the amount of radiation to which an employee with cancer was exposed, and the Department has no regulatory authority to control the completion time of the NIOSH process. The Department reported that in 2010, it took about 200 days for a final decision to be reached for cases not sent to NIOSH and more than two-and-a-half years for cases sent to NIOSH.

In the FECA program, our concern is with preventing fraud and improper payments. The FECA program must be responsive and timely to eligible claimants while ensuring it makes proper payments. Opportunities for claimants to defraud the program are made more likely by FECA's inability to match FECA compensation recipients against Social Security records. Other challenges facing the FECA program include moving claimants off the periodic rolls when they can return to work or their eligibility ceases, preventing ineligible recipients from receiving benefits, and preventing fraud by service providers.

Maintaining the Integrity of Foreign Labor Certification Programs

DOL's Foreign Labor Certification (FLC) programs are intended to provide U.S. employers access to foreign labor to meet American worker shortages under terms and conditions that do not adversely affect U.S. workers. Ensuring the integrity of the Department's FLC programs, while also providing a timely and effective review of applications to hire foreign workers, is a continuing challenge for the Department. Our work has shown that the Department could improve its initial application reviews, post-adjudication processes, and monitoring activities to better protect the interests of U.S. workers under the regulations by which the program currently operates. The Department is also challenged with statutory limits on its authority in the H-1B program and uncertainty regarding its authority to debar individuals or entities. In addition, as detailed in this Semiannual Report, OIG investigations continue to uncover schemes carried out by immigration attorneys, labor brokers, employers, and transnational organized crime groups.

Securing Information Technology Systems and Protecting Related Information Assets

Safeguarding information assets is a continuing challenge for all Government agencies, including DOL. OIG information technology (IT) audits over the past several years have identified access controls, oversight of third-party (contractor) systems, and inventory of IT assets as areas most challenging to the Department. These weaknesses represent a significant deficiency over access to key systems and may permit unauthorized users to obtain or alter sensitive information, including unauthorized access to financial records. In addition, the Administration's goal of expanding the use of technology to create and maintain an open and transparent government, while safeguarding systems and protecting sensitive information, has added to the challenge. Further, we remain concerned with the Department's ability to secure sensitive information that can be accessed remotely, stored on mobile computers/devices, or any form of data being accessed and used outside of a DOL office setting.

Ensuring the Effectiveness of Veterans' Employment and Training Programs

Providing meaningful employment and training services to military members transitioning to civilian employment is a continuing challenge for the Department, particularly in light of rising unemployment rates among veterans. A recent OIG audit of the Department's Veterans' Employment and Training Service's (VETS') Transition

Assistance Program (TAP) found that VETS did not ensure that participants received the employment assistance needed to obtain meaningful employment. VETS also did not use measurable performance goals and outcomes to evaluate program effectiveness and lacked adequate contracting oversight for TAP workshop services.

Another challenge for VETS is reducing homelessness. VETS' Homeless Veterans' Reintegration Program was the first nationwide Federal program focused on placing homeless veterans into jobs. The program provided employment and training services to an estimated 23,500 homeless veterans in FY 2010. However, a recent OIG audit found that performance results fell short of the planned goal of placing 9,093 veterans into employment by 2,461 veterans, or 27 percent.

Improving Procurement Integrity

The OIG remains concerned with the Department's ability to ensure integrity in procurement activities. Our most recent audits and investigations have identified numerous deficiencies in procurement activities delegated to program agencies. For example, MSHA could not support sole-source awards, did not promote full and open competition, or maximized small business opportunities. Likewise, VETS management did not ensure that contract services were properly authorized by the contracting officer or that supporting documentation was maintained for contract payments. In addition, a recent OIG investigation into allegations of improper procurement activities within VETS revealed the circumvention of rules and regulations related to open competition and advisory and assistance contracts, as well as the acceptance of free services. We are concerned that until procurement and programmatic responsibilities are properly separated and effective controls are put in place, the Department will continue to be at risk for wasteful and abusive procurement practices. Further, while the Department is taking positive actions to improve procurement integrity, it has yet to appoint a Chief Acquisition Officer (CAO) whose primary duty is acquisition management.

Worker Safety, Health, and Workplace Rights

Occupational Safety and Health Administration

The Occupational Safety and Health Administration (OSHA) was established by the Occupational Safety and Health Act of 1970 (OSH Act). OSHA's mission is to assure, so far as possible, that every working man and woman in the American workplace has safe and healthy working conditions. OSHA ensures the safety and health of America's workers by setting and enforcing workplace safety and health standards; providing training, outreach, and education; and encouraging continuous improvement in workplace safety and health.

Safety Inspector Impersonators Convicted of Extorting NYC Builders

Anthony Lewis and Kyle Correll were convicted on August 11, 2011, on charges of enterprise corruption, grand larceny, engaging in a scheme to defraud, and extortion.

Lewis and Correll were found guilty of extorting thousands of dollars from legitimate building contractors throughout New York City by threatening to report non-existent safety violations and hazards at job sites in a scheme dating back to 2005. The defendants, wearing hardhats bearing the name of their fictitious minority labor coalition, the Committee on Contract Compliance, falsely claimed to represent government regulatory agencies, such as OSHA and the New York City Department of Buildings. They also conducted false inspections, wherein they documented and videotaped supposed violations. They then threatened to report the violations, many of which were non-existent, to regulatory agencies unless the contractors agreed to pay them for their silence.

This is a joint investigation with the New York County District Attorney's Office. *The People of the State of New York* v. *Anthony Lewis and Kyle Correll* (Supreme Court of the State of New York, County of New York)

Mine Safety and Health Administration

The Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006 (MINER Act), charges the Mine Safety and Health Administration (MSHA) with protecting the health and safety of more than 300,000 men and women working in our nation's mines.

MSHA Overstated the Inspection Completion Rate for Metal and Nonmetal Mines

The MINER Act requires MSHA to conduct regular safety and health inspections of the nation's metal/nonmetal mines—four times per year at underground mines and twice per year at surface mines. Each year from 1977 to 2007, MSHA reported that it had not completed all of the required regular safety and health inspections. In October 2007, MSHA implemented the "100 Percent Plan" to ensure the agency completed all mandatory inspections by the end of each fiscal year (FY). In each of the last three years (FY 2008-FY 2010), MSHA reported completing all required regular safety and health inspections.

As part of our audit oversight responsibility and in response to complaints we had received, the OIG conducted an audit to determine whether MSHA: assigned the appropriate operating status to mines, conducted the correct number of regular safety and health inspections for each mine, and maintained evidence that each recorded regular safety and health inspection was performed.

We found that MSHA could not demonstrate the appropriateness of the "mine status" it assigned and used to determine the number of required regular safety and health inspections at each mine. Mine statuses include: active, intermittent, non-producing, new, and abandoned. This occurred because vague national definitions resulted in districts using varied criteria to make mine status determinations; and because MSHA did not require districts to document the rationale for setting or changing a mine's status. In addition, a problem with MSHA's online process for registering new mines may have diminished the ability of field offices to timely monitor these mines. As a result, MSHA had no assurance that it was computing the correct number of required inspections at each mine.

In addition, MSHA's policies allowed an "attempted inspection" to eliminate the requirement to complete a regular safety and health inspection. An attempted inspection was typically recorded when the inspector found no one at the mine during the unannounced visit to conduct a regular safety and health inspection. This occurred because many metal/nonmetal mines operate on an irregular or less-than-full-time schedule. While inspectors often returned and conducted an inspection at these mines at a later date, MSHA policy did not require them to do so. During FY 2010, MSHA recorded attempted inspections at 2,226 mines. Of these, 732 mines (33 percent) with reported miner work hours did not receive a regular safety and health inspection during the year. As a result, MSHA reported an inspection completion rate of 100 percent in FY 2010, yet 732 mines (5.6 percent) received only an "attempted inspection."

Further, in 29 out of the 32 cases (91 percent) that we reviewed, MSHA included the inspections in its computation of its inspection completion rate prior to supervisory review. Since supervisory review can result in a determination that additional inspection work should be performed, inspections should not be included in the computation of MSHA's inspection completion rate until a supervisor has reviewed and accepted the work.

We recommended that MSHA: (1) design objective national criteria for assigning a mine status and implement a system of controls to ensure the consistent implementation of these criteria; (2) design and implement procedures to assure that information on all new mines is communicated to the responsible field office in a timely manner; (3) examine and implement ways to increase the probability that inspectors will arrive for regular safety and health inspections on days that a mine is operational; (4) more clearly and completely report the actual results of its efforts to conduct regular safety and health inspections; and (5) require supervisors to document their review and acceptance of each regular safety and health inspection report before it is included in MSHA's computation of its inspection completion rate. MSHA agreed with our recommendations and committed to developing and implementing corrective actions. (Report No. 05-11-004-06-001, September 29, 2011)

Mine Foreman Sentenced to Ten Months in Prison

Thomas Harrah, a section foreman at Performance Coal Company's Upper Big Branch Mine (UBB), was sentenced on September 22, 2011, for providing false statements to investigators and making false statements, representations, and certifications in MSHA documents. Performance Coal Company was a subsidiary of Massey Energy in 2010.

On April 5, 2010, a catastrophic underground coal mine explosion occurred at UBB –South in Montcoal, West Virginia that killed 29 coal miners. From December 2007 through August 2009, while working at UBB, he falsely operated as a mine Section Foreman. Harrah misrepresented himself as a certified mine examiner and foreman and certified approximately 200 log entries relating to mine safety. In August 2009, he was transferred to another Massey Energy subsidiary where he continued the fraudulent practice. In addition, during an investigation of the explosion, Harrah falsely and knowingly represented to Federal agents and officials that he had passed the required mine foreman examination when, in fact, he had not. Harrah was sentenced to 10 months in prison and three years' probation.

This was a joint investigation with the Federal Bureau of Investigation (FBI) and MSHA. *United States* v. *Harrah* (S.D. West Virginia)

Wage and Hour Division

The Wage and Hour Division (WHD) is responsible for enforcing labor laws such as those that cover: minimum wage and overtime pay; child labor; record keeping; family and medical leave; and migrant workers; among others. Additionally, WHD administers and enforces the prevailing wage requirements of the Davis-Bacon Act and other statutes applicable to Federal contracts for construction and the provision of goods and services. The Davis-Bacon Act and related acts require the payment of prevailing wage rates and fringe benefits on Federally financed or assisted construction.

$5.1 Million in Restitution Ordered in Prevailing Wage Fraud Investigation

Joseph Torres, the president of Serrot Construction and All American Building and Development, was sentenced on June 17, 2011, to six months' home confinement and three years' supervised release. Torres' sentence resulted from his guilty plea to mail fraud and tax evasion charges. Torres was also ordered to pay restitution of $5,106,853, jointly and severally with co-conspirators Simon Whitley and Steven Coren, and fined $100,000 for defrauding the New York City Housing Authority (NYCHA).

From 1997 to 2000, Serrot Construction was awarded approximately $20 million in Federally funded contracts to install doors in public housing projects throughout New York City. During the performance of the contracts, which included a prevailing wage requirement, Torres and Whitley devised an elaborate series of schemes to defraud NYCHA, underpay employees, avoid paying taxes on the fraudulently derived income, and launder criminal proceeds through the purchase of commercial rental properties. These schemes resulted in employees being underpaid by more than $5.7 million. The Court ordered that the restitution and forfeiture be distributed to approximately 100 employees commensurate with the back wages owed.

This was a joint investigation with the NYCHA-OIG, WHD, and the Internal Revenue Service (IRS) Asset Forfeiture Task Force. *United States* v. *Torres, et al.* (E.D. New York)

Pennsylvania Woman Sentenced in Connection with False Claims to the United States

Barbara Ruffner, the owner and operator of Ruffner Trucking, was sentenced on July 29, 2011, to three years' probation, six months' home detention, and ordered to pay restitution in the amount of $82,501 for submitting false claims to the United States Postal Service (USPS) involving Federal wage and fringe benefits. In 2002, Ruffner received a contract to transport mail that required her to pay her drivers a wage and fringe benefit rate established by DOL. Beginning about April 2003, she filed claims with USPS in order to receive an increase in her contract rates after DOL increased the wage rate applicable to her employees. However, Ruffner never paid her employees the wage and fringe benefit rates required by the contract. The loss to the government was estimated as $12,934, and the loss to her employees was approximately $69,567 for a combined total of $82,501.

This was a joint investigation with WHD and USPS-OIG. *United States* v. *Barbara Ruffner* (W.D. Pennsylvania)

Worker and Retiree Benefit Programs

Employee Benefits Security Administration

The Employee Benefits Security Administration (EBSA) is responsible for overseeing more than 150 million Americans covered by more than 718,000 private retirement plans, 2.6 million health benefits for health plans, and similar numbers of other welfare benefit plans holding more than $6.5 trillion in assets—as well as plan sponsors and members of the employee benefits community. EBSA is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act of 1974 (ERISA).

Patient Protection and Affordable Care Act: Further EBSA Action Could Help Ensure Implementation and Compliance

The Patient Protection and Affordable Care Act (PPACA) was enacted on March 23, 2010, and amended by the Health Care and Education Reconciliation Act on March 30, 2010. PPACA imposed new coverage requirements on ERISA-covered, employer-sponsored group health plans. We conducted an audit to determine what actions EBSA had taken toward the implementation of PPACA.

We found that EBSA has taken significant actions toward implementing PPACA requirements through issuing eight interim final regulations. EBSA has: conducted research studies and surveys; provided compliance assistance and outreach to employers and plan participants; and issued sub-regulatory guidance – including four technical releases, seven model notices, and six sets of frequently asked questions.

PPACA provides DOL, U.S. Department of Health and Human Services (HHS), and U.S. Department of Treasury (Treasury) with the authority to promulgate interim-final rules that it deems necessary or appropriate to carry out PPACA provisions without first meeting the full notice and comments rulemaking requirements of the Administrative Procedure Act. Due to time constraints, EBSA used this authority to issue the eight PPACA interim-final regulations, which do not require public notice and comments. While EBSA both requested and obtained public comments on issued interim-final PPACA regulations (and has indicated its intention to address the comments before finalizing the regulations), EBSA had not established a timeline to address the more than 1,900 public comments it received. EBSA could improve transparency by providing at least an estimated timeline to do so. EBSA officials stated that public comments would be responded to appropriately when EBSA finalizes the interim-final regulations.

Our audit also found that EBSA needs to: review PPACA requirements during health plan investigations, provide HHS with a clearer and more specific determination on benefits "typically" covered by employer-sponsored plans as required by PPACA, and draft a proposed rule regarding when persons providing insurance through multiple employer welfare arrangements are subject to State law, as required by PPACA section 6604.

We made four recommendations to EBSA: (1) work with the HHS, Treasury, and the Office of Management and Budget (OMB) to establish specific timetables to respond to public comments and issue final regulations; (2) incorporate PPACA requirements immediately into the enforcement program to assist plans in complying with PPACA; (3) determine benefits typically covered by employer sponsored plans and provide this to HHS; and (4) proceed with rulemaking relative to PPACA section 6604. EBSA agreed with recommendations 1 and 4 regarding future interpretive guidance. With respect to enforcement (recommendation 2), EBSA stated that its

initial approach to enforcement, including the provision of compliance grace periods, was consistent with the Administration's overall phased-implementation approach to the PPACA. Beginning in FY 2012 EBSA will conduct PPACA compliance reviews as part of its Health Benefits Security Project, a new national enforcement project. With respect to recommendation three, EBSA believes that it has fully discharged its statutory responsibility by issuing a report on a survey of covered benefits that will help HHS to determine the benefits offered under a typical employer health plan. (Report No. 09-11-003-12-121, September 30, 2011)

Office of Workers' Compensation Program

The Office of Workers' Compensation Programs (OWCP) administers four workers' compensation programs: Energy Employees Occupational Illness Compensation program, Federal Employees' Compensation program, Longshore and Harbor Workers' Compensation program , and Coal Mine Workers' Compensation Program.

Federal Employees' Compensation Act Program

The Federal Employees' Compensation Act (FECA) program provides workers' compensation coverage to approximately 2.8 million Federal, Postal, and certain other employees for work-related injuries and illnesses. Benefits include wage-loss benefits, medical benefits, vocational rehabilitation benefits, and survivors' benefits for covered employees' employment-related death. In FY 2010, the FECA program made over $1.8 billion in wage-loss compensation payments to claimants and processed approximately 19,900 initial wage loss claims. At the end of FY 2010, 43,100 claimants were receiving regular monthly wage loss compensation payments.

Owner of Medical Practice Sentenced for Fraudulently Billing OWCP, Medicare, and Insurance Companies

Dr. Mark Huang, owner and operator of Advantage Medical Health Care, LLC, was sentenced on April 19, 2011, for his role in a scheme that fraudulently billed OWCP, Medicaid, Medicare, and private insurance carriers. Between August 2003 and May 2008, Huang fraudulently billed various health plans more than $2,549,000 for physical therapy treatments that never occurred. Huang was sentenced to a year and one day in prison, three years' supervised release, and 80 hours of community service per year for the duration of the supervised release. He was also ordered to pay restitution of $2,549,977 and fined $50,000.

This was a joint investigation with the USPS, USPS-OIG, HHS-OIG, and the FBI. *United States* v. *Mark X. Huang* (E.D. New York)

Physician Pleads Guilty to Health Care Fraud and Agrees to Forfeit Over $900,000

Dr. Leonard Langman, a New York City physician, pled guilty on July 6, 2011, to health care fraud. He was involved in several fraud schemes, including billing for services not rendered, double billing, and inflating charges to Medicare, OWCP, the New York State Worker's Compensation Board, the New York State Insurance Fund, and various private insurers. From January 2006 to December 2009, Dr. Langman submitted fraudulent claims to the OWCP and other entities for over $900,000. Pursuant to the plea agreement, he agreed to forfeit $905,789.

This was a joint investigation with the USPS-OIG, HHS-OIG, and the New York State Worker's Compensation Board. *United States* v. *Leonard Langman, M.D.* (E.D. New York)

Former Postal Employee Pleads Guilty To Theft of Government Funds

Shuntreciya Anderson, a former USPS employee, pled guilty on April 26, 2011, to theft of government funds and was sentenced on August 1, 2011, to three years' probation, 160 hours' community service, and ordered to pay $171,993 in restitution. From January 2008 through November 2010, Anderson filed hundreds of medical travel refund requests with OWCP, claiming reimbursements for physician and rehabilitation appointments that she did not attend or for which no associated costs were incurred. The investigation established that Anderson had only five appointments during the filing period and, while receiving more than $170,000 in reimbursements, was entitled to only $175.

This was a joint investigation with the USPS-OIG. *United States* v. *Shuntreciya Anderson* (N.D. Texas)

Former Postal Letter Carrier Pleads Guilty to Theft of Worker's Compensation Funds

Kendrick Hamilton, a former USPS letter carrier, pled guilty on September 22, 2011, to theft of government funds for defrauding OWCP. From January 2007 through November 2010, the former letter carrier defrauded OWCP by filing falsified medical travel refund requests claiming mileage for physician and rehabilitation appointments that he did not attend. The investigation established that, as a result of this scheme, OWCP issued payments of $230,861 to the former letter carrier, who was not entitled to any reimbursement.

This is a joint investigation with the USPS-OIG. *United States* v. *Keldrick Hamilton* (N.D. Texas)

Psychologist Indicted in Medical Fraud Scheme Involving Nearly $1 Million in Bogus Treatment Costs

A California psychologist was indicted on June 8, 2011, for allegedly orchestrating a scheme to bill OWCP nearly $1 million for medical treatments to address fabricated psychological conditions. The indictment charges the clinical psychologist with mail fraud. In addition, two ex-postal workers were charged in the case for mail fraud and for making false statements in order to obtain Federal employees' compensation.

From June 2000 through April 2008, the defendants allegedly submitted fraudulent paperwork in order to obtain compensation for medical visits that never occurred. According to court documents, the psychologist billed OWCP nearly $1 million in fraudulent medical fees and received about half that amount. The former postal workers allegedly received more than $345,000 as a result of the scheme.

The psychologist allegedly billed for in-person treatment sessions for both postal workers during a period that records indicate he was out of the country. According to the indictment, one of the postal workers submitted fraudulent paperwork to OWCP claiming she was unemployed and had no income, when, in fact, she held various jobs. The two former postal employees are also accused of seeking reimbursement for travel to medical appointments that never took place.

This is a joint investigation with Immigration and Customs Enforcement (ICE), USPS-OIG, and the Office of Personnel Management-OIG. (C.D. California)

Energy Employees Occupational Illness Compensation Act Program

The Energy workers' program was created to provide monetary compensation and medical benefits to civilian employees who incurred an occupational illness, such as cancer, as a result of their exposure to radiation or other toxic substances while employed in the nuclear weapons and testing programs of the U.S. Department of Energy and its predecessor agencies. In certain circumstances, these employees' survivors may be eligible for compensation.

Colorado Man Indicted for Defrauding Health Care Program

A Colorado health care provider was indicted on September 1, 2011, for health care fraud and money laundering for his role in allegedly defrauding the Division of Energy Employees Occupational Illness Compensation (DEEOIC) of $3,417,346.

The health care provider was the owner of a business that provided home services to eligible DEEOIC claimants. From approximately June 2010 to June 2011, the provider allegedly submitted bills to DEEOIC that claimed his business provided home health care services to claimants in excess of 24 hours per day, falsified nursing progress notes attached as supporting documentation, and falsely claimed that registered nurses provided home health care services to claimants. In addition, the provider submitted forged doctors' orders that caused DEEOIC to authorize round-the-clock, home health care for claimants.

This is a joint investigation with the FBI and IRS-Criminal Investigation (CI). (D. Colorado)

Unemployment Insurance Programs

Enacted over 75 years ago as a Federal–state partnership, the unemployment insurance (UI) program is the Department's largest income-maintenance program. While the framework of the program is determined by Federal law, the benefits for individuals are dependent on state law and are administered by State Workforce Agencies (SWAs) in 53 jurisdictions covering the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, under the oversight of the Employment and Training Administration (ETA).

Former Texas Workforce Commission Employee Sentenced to Two Years in Prison for Theft

Sylvia Rodriquez, a former Texas Workforce Commission (TWC) employee, was sentenced on April 19, 2011, to two years in prison and three years' supervised release. In addition, she was ordered to pay restitution in the amount of $262,909 and serve 250 hours of community service. From June 2007 until September 2009, while employed as a workforce development specialist, Rodriquez schemed with several UI applicants by assisting them in filing fraudulent claims with fictitious employer information for the purpose of obtaining UI benefits. In exchange, she received payments of $200 from each fraudulent UI benefit applicant. The scheme resulted in fraudulent UI benefit overpayments in the amount of $261,258.

This was a joint investigation with the TWC. *United States* v. *Sylvia Andrea Rodriguez* (W.D. Texas)

Former State Employee and Two Associates Plead Guilty to the Theft of California UI Funds

Rebecca Stoneking, a former California Employment Development Department (EDD) account technician, pled guilty on June 23, 2011, to conspiracy to commit mail fraud, for her role in a scheme to defraud the UI Program. Co-conspirator Russell Williams pled guilty on June 30, 2011, to the same charge.

In her former position, Stoneking had access to EDD's employer database and the ability to adjust the base wages of workers enrolled in California's UI system. She manipulated wage data submitted by Tower Records, a Sacramento firm that filed for bankruptcy protection in 2006, by fraudulently entering Williams' name in Tower Record's quarterly reports to EDD. The illegal adjustment enabled Williams to file successful claims for UI benefits to which he was not entitled. As a result of their scheme, Stoneking and Williams, along with Timothy Oller, an accomplice who previously pled guilty to the same charge, defrauded EDD of UI benefits totaling $92,826.

This is a joint investigation with the California EDD Investigation Division. *United States* v. *Rebecca Lynn Stoneking, Russell Edward Williams, and Timothy Jack Oller* (E.D. California)

Employment and Training Programs

Workforce Investment Act

The primary goal of the Workforce Investment Act (WIA) is to consolidate, coordinate, and improve employment, training, literacy, and vocational rehabilitation programs in the United States. The Act provides funds to address the employment and training needs of adults, dislocated workers, and youth. Within each state, clusters of counties or other government entities—referred to as Local Workforce Investment Areas (local areas)—are responsible for establishing program policy and conducting program oversight.

Measuring the Effectiveness and Return on Investment of Training Services Funded under the Adult and Dislocated Worker Program

More than $2 billion is awarded annually in formula grants to SWAs to operate the WIA Adult and Dislocated Worker programs. These programs provide for three levels of services to participants: core, intensive, and training. We conducted a performance audit of training services provided through the WIA Adult and Dislocated Worker programs to determine: (1) if ETA had a comprehensive performance accountability system to assess the programs' effectiveness; (2) what the results were of the training services provided; and (3) if the training services were linked to demand occupations. The audit focused on the programs' training services provided and outcomes achieved for 103,430 exiters from 20 SWAs between April 1, 2008, and March 31, 2009.

Our audit found that WIA limits ETA's ability to include results of training services in the WIA performance accountability system. ETA's system included performance measures for reporting whether program exiters found and retained employment, but did not provide sufficient information on the performance results of the training services. WIA does not allow ETA to establish any new performance measures apart from the core employment indicators required. Our analysis of a statistical sample of 305 program exiters, who obtained employment, showed that almost 24 percent found jobs that were not related to the training they received; and for an additional 10 percent, sufficient evidence was not maintained in order to make such a determination. Based on this, we estimated that up to $124 million was spent on training participants who did not obtain training-related employment, or information was insufficient to make that determination.

Our results demonstrate that ETA is not in a position to report to stakeholders the outcomes and cost of training services and areas that could be improved.

We also found that SWAs and local agencies lacked goals for placing exiters in training-related employment. Usable and reliable information on training costs and training-related employment would assist ETA and the SWAs in determining how to best allocate decreasing WIA funds to those services that will achieve the desired result of enabling participants to pursue viable career paths leading to self-sufficiency. Such information would also improve accountability and transparency over WIA funds invested in training participants.

We recommended that ETA: (1) pursue legislative authority in the WIA reauthorization to develop performance measures for training outcomes; (2) require SWAs to report training costs and funding sources at the participant level; (3) develop and provide guidance to SWAs and local agencies regarding the best methodology for collecting and reporting data for training-related employment; and (4) exercise oversight over SWAs to ensure they develop

and/or identify best practices to increase the percentage of exiters who find employment related to the training they receive. ETA did not believe the report put the findings in the proper perspective and did not agree with the recommendations to pursue legislative authority on performance measures for training outcomes and to collect training costs and funding sources. (Report No. 03-11-003-03-390, September 30, 2011)

Recovery Act: Coordination of Workforce Development Activities with Federal Infrastructure Investments

DOL was provided funding from the American Recovery and Reinvestment Act (Recovery Act) in order to provide worker training, among other things. In guidance provided to states and local workforce areas on the use of WIA funding provided by the Recovery Act, ETA strongly recommended collaboration between the public workforce investment system and other Federal agencies that received those funds. An audit was conducted to review the coordination activities that were planned and conducted at the Federal, state, and local levels.

The audit found that ETA promptly provided guidance and strategies to the workforce system to link to Federal infrastructure investments. ETA performed "readiness reviews" of all states and 153 local entities to encourage coordination with other Federal agencies. ETA also entered into two agreements with three other Federal agencies receiving Recovery Act infrastructure investment funds. However, because implementation of these planning efforts was generally informal and not well coordinated, they produced uneven results. Additionally, we found that two of the agreements between DOL and other Federal agencies were never implemented as planned, although four collaborative projects related to infrastructure investments did occur.

The audit also found that planned coordination activities and cross collaboration did not happen across-the-board as ETA intended. This problem occurred because state agencies faced significant challenges to implement new programs and spend Recovery Act funding quickly, while at the same time experiencing staff shortages and furloughs. Moreover, not all state agencies receiving infrastructure investment funding required Recovery Act contractors to post new jobs to the workforce development system's public jobs banks. The audit also noted that state recovery task forces established to help coordinate these efforts primarily focused their efforts on meeting OMB's latest Section 1512 reporting requirements.

Finally, the audit found that as Federal, state, and local level officials were not required to specifically track the impact of coordination efforts on the employment or re-employment of individual participants, other than monitoring existing program outcome measurements, they did not do so.

The audit recommended that ETA continue to strengthen its cross-collaboration efforts across Federal and state agencies and encourage states and local areas to continue to pursue collaboration as part of their regular practice. ETA agreed with our recommendation and provided examples of how it is moving in a direction consistent with the recommendation. (Report No. 18-11-010-03-001, September 30, 2011)

Company Officer Pleads Guilty to Embezzlement of Federal Job Training Funds

Trudy Zimmerman, a fiscal officer of La Cooperative Campesina de California (LCCC), pled guilty on August 8, 2011, to theft of government property. LCCC is a grantee of WIA funds. From 2005 to 2009, Zimmerman devised a scheme to embezzle more than $58,000 in WIA and HHS funds from LCCC by creating bogus travel vouchers and forging LCCC reimbursement checks to herself. *United States* v. *Trudy Zimmerman* (E.D. California)

WIA Grantee Employee Indicted for Embezzling Job Training Funds

An employment specialist at La Familia Counseling Center (LFCC)—a WIA grantee—was indicted on June 16, 2011, for embezzlement of ETA funds. The scheme allegedly involved the employee using her position at LFCC to embezzle WIA funds by creating false on-the-job-training contracts between LFCC and local employers. These false contracts made it appear that individuals were employed and paid wages by the employers when, in fact, such individuals were never participants in legitimate WIA training programs. The employee also created false participant timesheets, employer reimbursement invoices, and other related documents to fraudulently collect approximately $30,000 in WIA funds.

This is a joint investigation with the California EDD Investigation Division. (E.D. California)

Green Jobs

The Green Jobs Innovation Fund was authorized under WIA to help workers receive job training in green industry sectors. As part of the Recovery Act, the Department received $500 million for competitive grants to fund projects for research, labor exchange, and job training projects that prepare workers for careers in the energy efficiency and renewable energy industries.

Recovery Act: Slow Pace Placing Workers into Jobs Jeopardizes the Employment Goals of the Green Jobs Program

The Recovery Act provided $500 million for research, labor exchange, and job training projects that prepare workers for careers in energy efficiency and renewable energy. The purpose of the Recovery Act was to assist those most impacted by the recession and to expend funds as quickly as possible consistent with prudent management. ETA awarded these funds under different types of competitive grant programs to train and prepare individuals for careers in "green jobs" and collect, analyze, and disseminate labor market information. ETA awarded these grants in December 2009 and January 2010, with grant end dates spanning from November 2010 through January 2013.

In response to a Congressional request, we conducted an audit of ETA's green jobs program to determine: how ETA defined green jobs; the status of funds expended; how grant funds have been used; the extent to which ETA and grantees have reported achieving performance targets for training and placement of workers; and employment retention.

The definition used by ETA to award grants was derived from the Green Jobs Act of 2007 that covered the seven green job industries, and broadly included jobs that clean and enhance the environment. Specifically, green jobs were defined as jobs associated with products and services that use renewable energy resources, reduce pollution, and conserve natural resources. Not all green jobs so defined are new or unique occupations; green jobs, as defined by ETA, may build upon existing occupations.

Of the $500 million provided by the Recovery Act, ETA retained $9.9 million for services, such as program administration and technical assistance, and awarded $490.1 million as follows: $435.4 million for three training programs, $48.9 million for labor market information, and $5.8 million to develop capacity. As of June 30, 2011, grantees reported expending $162.8 million (33 percent) of the amounts awarded, with about 73 percent of the grant time having elapsed. Training grantees reported expenditures of $126.1 million (29 percent) of the amount awarded with 61 percent of the grant periods having elapsed; non-training grantees reported expenditures of $36.7 million (67 percent) of the amount awarded, although 95 percent of the grant periods have elapsed.

Grantees also reported serving 52,762 participants (42 percent) of the program's target of serving 124,893 participants, with 61 percent of training grant periods having elapsed. Grantees reported placing 8,035 participants into employment (10 percent) of the target of 79,854 placements. Of the 52,762 participants served, grantees reported that 20,818 (39 percent) were individuals who already had jobs and had enrolled in training in order to retain their jobs, obtain new work, or otherwise upgrade their skills.

Training grantees reported that 1,336 participants retained employment for at least six months – or two percent of the employment retention goal of 69,717. The low retention

rate may be attributable in part to the timing of the placements reported. Nevertheless, the low retention rate raises concerns that original goals may not be reached before the grant period expires.

We recommended that ETA take actions to evaluate the green jobs program; and in doing so, obtain a current estimate of the green jobs funds each grantee requires, which will aid in assessing the need for the remaining $327.3 million of unspent grant funds. Ultimately, if grantees fail to utilize their Recovery Act funding, ETA should terminate the grants and return the funds to the Treasury. ETA disagreed with the OIG's conclusion and expects performance to significantly increase. ETA stated it is reviewing the progress of these grants on a monthly basis and has a technical assistance program in place to assist grantees in expediting these programs. ETA's intention is that all funds will be expended by September 30, 2013, or reclaimed to the extent permitted by law, as required by OMB. However, ETA did not provide evidence to support its assertion that grantees will effectively use the funds and deliver targeted employment outcomes by the end of the grant periods. (Report No. 18-11-004-03-390, September 30, 2011)

Job Corps

Job Corps, which is under the oversight of ETA, annually provides education, vocational training, and support services to approximately 60,000 students at 125 nationwide centers, which are residential and non-residential. Its primary purpose is to help at-risk youth become more employable, responsible, and productive citizens. Job Corps' budget for program year (PY) 2010 was approximately $1.71 billion.

Job Corps Needs to Improve the Reliability of Performance Metrics and Results

Our audit objective was to determine the extent to which Job Corps has metrics in place to assess the program's performance. Our scope covered Job Corps' performance metrics and outcomes for PY 2009 and the month of October 2010.

While Job Corps had 58 performance metrics in place, these metrics did not always provide a clear and accurate assessment of the program's performance. In aggregate, we found reporting deficiencies with 22 of the 58 metrics; including 10 with multiple deficiencies. Specifically, Job Corps reported inaccurate results (9 metrics); did not report results and/or establish performance targets (4 metrics); or did not publish results and make them publicly available as asserted in its response to our March 2009 report on non-compliance with the Workforce Investment Act of 1998 (WIA) reporting requirements (19 metrics). Thus, Job Corps and other decision-makers (e.g., Congress, ETA) did not always have complete and accurate performance information on which to base effective decision-making.

The reliability of the metrics covering two key performance areas – job training match and cost efficiency – has been a longstanding concern. While our audit noted that Job Corps has made some improvements, such as reducing the number of allowable broad placement categories that were considered matches for several vocations, reliability problems persist. For example, problems with how Job Corps calculated its job training matches led to an overstatement of 7,517 (42.3 percent) of the 17,787 matches reported for the periods reviewed. Specifically, 3,226 of these matches either did not relate or poorly related to the vocational training received (e.g., students trained in office administration placed in fast food restaurants); and another 4,291 matches that represented enrollments in post-secondary education and training (3,778) and military enlistments (513), regardless of the students' vocational training and assigned duties. We also noted that 1,569 students were placed in jobs that required little or no previous work-related skills, knowledge or experience, such as parking lot attendants, janitors, and dishwashers.

Job Corps stated that it believes it has taken steps to address invalid job training matches, such as the development of a job training match crosswalk. Job Corps also indicated that it believes military and educational placements are valid training matches that serve to incentivize placements that could lead Job Corps graduates to higher wage employment. Job Corps disagreed with our finding regarding placement of students in jobs that require little or no training may not have been the best use of its resources, stating that many students have significant basic skills and behavioral deficiencies, and lack the skills and knowledge to gain and retain employment, particularly during the current economic downturn.

In addition, there were numerous problems with Job Corps' approach for calculating its cost efficiency metric, or cost per participant ($26,551 for PY 2009), which Job Corps derived by dividing a portion of its appropriated expenses

by the number of new participants over the course of a program year. The metric did not reflect outcomes such as job placement or training completion, excluded program administration expenses, and could inaccurately show acceptable or improved performance when program performance is actually declining. For example, increases in new participants due to a higher number of drop-outs would inaccurately reflect improvements in Job Corps' cost efficiency results because costs per participant would decrease. Our analysis of available Job Corps data for PY 2009 showed many alternate cost efficiency metrics based on planned enrollment or outcomes, such as cost per training slot utilized ($37,880, if all slots are fully utilized), cost per successful outcome ($42,952), or cost per job placement ($76,574). These metrics could provide decision-makers with more reliable information to measure and manage the program's performance and costs.

Since 2007, DOL has spent almost $1.5 million on consultants and an advisory committee to improve Job Corps' performance metrics and outcomes, as well as other aspects of the program. However, many of the concerns related to performance metrics persist.

We recommended that Job Corps improve the reliability of its performance metrics, especially job training match and cost efficiency, so decision-makers will be able to make informed decisions regarding the program's performance and costs. We also recommended that Job Corps improve oversight of its service providers to increase the number of students who find employment that relates to and utilizes the vocational training received; and develop a process to maximize the value, and assess and manage the risks, of costly initiatives and evaluations to ensure such investments result in meaningful improvements. Job Corps stated that in FY 2012 it will make performance outcomes more transparent to stakeholders and the public by publishing additional performance metrics, as well as an annual report on metrics required by WIA, will reiterate its policies and procedures regarding oversight responsibilities, and will continue to closely monitor consultants' and committees' work in assessing Job Corps. (Report No. 26-11-004-03-370, September 30, 2011)

Job Corps Must Strengthen Controls to Ensure Low-Income Eligibility of Applicants

Secretary Solis requested an audit of the Office of Job Corps' outreach and admissions process after ETA found that a service provider had admitted ineligible students at the Gadsden Job Corps Center in Alabama. We conducted a performance audit to determine whether Job Corps ensured outreach and admissions service providers enroll only eligible students. We reviewed 86 contracts with 31 contractors who provided outreach and admissions services to 57,392 students enrolled at Job Corps centers in calendar year (CY) 2010, as well as 5,504 students enrolled in March 2011.

Our audit found that Job Corps did not ensure that outreach and admissions service providers enrolled only eligible students because of significant and systemic control weaknesses at both the Job Corps and contractor levels. Job Corps policy allowed potential students to self-certify their family income levels. Further, admission counselors obtained income documentation from potential students only if what students provided verbally was questionable or the potential student's social security number ended in one of five, two-digit sequences. The latter criterion resulted in requiring documentation from 5 percent of applicants to verify reported income. As a result of these insufficient enrollment procedures, ineligible students took slots intended for at-risk and low-income youth.

Based on our statistical sample of the 5,504 students enrolled at Job Corps centers in March 2011, we estimated that 472 ineligible students enrolled in the program during that month, and $13.9 million in DOL funds would be spent to train them. Job Corps will enroll nearly 56,000 students in CY 2011. Job Corps has begun making changes to its

student enrollment process — including an enhanced low-income eligibility verification process, elimination of income self certification, and requirement of income documentation from all potential students. If its recent and planned changes are not effectively implemented, we expect ineligible students will continue to be enrolled throughout the year. Assuming the ineligibility rate remains constant, the estimate of potential funds that would be spent on ineligible students could total $165.1 million.

Our testing also found that even when potential students self-certified income over the established thresholds or did not meet other eligibility criteria, outreach and admissions service providers still allowed them to enroll. This occurred because some outreach and admissions service providers disregarded or were not aware of the appropriate income eligibility thresholds and Job Corps had not provided adequate procedures, training, and oversight to ensure their compliance. Based on our statistical sample of students enrolled during CY 2010, we estimated that outreach and admissions service providers did not comply with Job Corps' outreach and admissions eligibility requirements for 614 (1.1 percent) to as many as 1,527 (2.7 percent) of the 57,392 students enrolled during the year. We further estimated that between $18.4 million and $45.7 million in DOL funds were spent to train these students.

We made five recommendations to ETA and the Office of Job Corps. Our key recommendations included: (1) requiring Job Corps to determine the eligibility of all active students with recorded family incomes over the established income thresholds and take appropriate action; (2) recover program funds from outreach and admissions service providers that were spent on ineligible students; and (3) develop policies, procedures, training, and oversight to ensure outreach and admissions service providers comply with established eligibility criteria and other Job Corps policies for program enrollment. ETA accepted our recommendations, but disagreed with our methodology to estimate the cost to train ineligible students. (Report No. 26-11-005-03-370, September 30, 2011)

Contractors Did Not Ensure Best Value in Awarding Subcontracts at Two Job Corps Centers

Job Corps center contractors are required to comply with specific Federal Acquisition Regulation (FAR) requirements for obtaining price quotes and competing and awarding subcontracts to ensure the Federal government receives the best value. The FAR further requires that contractors' past performance be evaluated and that records be maintained to demonstrate claimed costs have been incurred. We conducted performance audits of two Job Corps Centers operated by two different companies under contract with the Office of Job Corps — Turner Center under Education and Training Resources (ETR) and Red Rock Center under Adams and Associates — to determine if the contractors awarded subcontracts and claimed costs in accordance with the FAR.

Our audits found that subcontracts were improperly awarded because of noncompliances with the FAR. Specifically, neither Center performed cost or price analyses and responsibility checks of past performance. Because the subcontracts were for physician, mental health, and drug assessment and interdiction services for students, it was critical for the contractors to ensure their students received adequate care and training by evaluating bids based on the quality of services to be provided as well as cost. ETR and Adams and Associates disagreed with our findings, stating that the FAR pertains to contract award decisions by government contracting officers, but not government contractors awarding subcontracts. ETA stated that center operators are subject to some, but not all, FAR requirements.

OIG recommendations included that: (1) ETA recover questioned costs as appropriate; (2) direct the contractors to establish procedures, training, and oversight to ensure compliance with applicable sections of the FAR; (3) direct ETA contract personnel and Job Corps regional staff to review all future subcontracts for FAR compliance and

approval prior to award; and (4) review ETR corporate contracts to determine if they are in compliance with applicable sections of the FAR. In response to the draft report, ETA stated that it had recently completed contracting purchasing system reviews at ETR and Adams and Associates and recommended that both improve their procurement procedures and provide appropriate procurement training to their staff. (Report Nos. 26-11-003-03-370 and 26-11-002-03-370, September 30, 2011)

High Growth Job Training Initiative

The High Growth Job Training Initiative (HGJTI) prepares workers to take advantage of new and increasing job opportunities in high-growth, high-demand, and economically vital sectors of the economy.

Audit of High Growth Job Training Initiative Grant Awarded to the International Association of Nanotechnology

In response to a request from ETA, we conducted a performance audit of its $1.5 million HGJTI grant with the International Association of Nanotechnology (IANANO). HGJTI was a strategic effort to prepare workers to take advantage of new and increasing job opportunities in high-growth, high-demand, and economically vital sectors of the American economy. One of the sectors identified was advanced manufacturing, in which innovative strategies were needed to compete in the global marketplace. Our audit objectives were to determine whether: financial transactions and program activities were in accordance with the grant agreement and Federal cost principles; information that IANANO reported to ETA was accurate; and grant terms for expenditures and deliverables were clearly defined.

Our audit found that IANANO did provide some services to participants; however, it could not demonstrate that it provided $2,438,685 worth of benefits to ETA — the full $1.5 million of grant funds and $938,685 of program income that was not reported but should have been committed to the project. IANANO's financial transactions and program activities did not comply with the grant agreement and Federal cost principles, and were not accurately reported to ETA. Specifically, $896,066 of personnel costs charged to the grant were unsupported; reported outcome measures were misleading; and required grant deliverables were not developed or provided, were incomplete, or were otherwise inadequate. This occurred because IANANO misrepresented that it had systems in place to ensure proper planning, management, and completion of the project described in the grant agreement. Furthermore, the grant also lacked clarity regarding the relationship between the grantee and training provider, as well as the association between cost categories and deliverables. This had led to difficulties in monitoring grant performance.

We recommended that ETA recover questioned costs of $1.5 million, ensure that first-time grantees have systems in place to provide grant products and services, and ensure grants are clear regarding entities that provide services and cost category associated with deliverables. IANANO disagreed with our audit findings, but did not provide the necessary support to effect changes to the findings and recommendations. ETA responded that it will follow standard audit resolution procedures for disallowing and recovering questioned costs. ETA also indicated that it will review procedures regarding new grantees, grant award and budget process, and will make changes where appropriate and feasible. (Report No. 02-11-203-03-390, September 12, 2011)

Foreign Labor Certification Programs

ETA administers a number of foreign labor certification (FLC) programs that allow U.S. employers to employ foreign workers to meet American worker shortages. The H-1B visa specialty workers' program requires employers that intend to employ foreign specialty occupation workers on a temporary basis to file labor condition applications with ETA stating that appropriate wage rates will be paid and that workplace guidelines will be followed. The H-2B program establishes a means for U.S. nonagricultural employers to bring foreign workers into the United States to meet temporary worker shortages. The Permanent Foreign Labor Certification program allows an employer to hire a foreign worker to work permanently in the United States.

Two Business Owners Sentenced to Prison for Visa Fraud

Fazal Mehmood and Vineet Maheshwari, the owners of Worldwide Software Services, Inc., were sentenced on April 20, 2011, for conspiracy to commit visa fraud, making false statements to the United States, and for engaging in monetary transactions in criminally derived property. Both received a sentence of three years and four months in prison on each count to run concurrently, and three years' supervised release. The defendants were also ordered to forfeit more than $2.8 million in proceeds from the fraud.

Mehmood and Maheshwari, Pakistan and Indian nationals, respectively, pled guilty in April 2010 to conspiring to use their company to provide numerous false documents to DOL and DHS in order to sponsor foreign workers under the H-1B visa program. The defendants conceded that the conspiracy involved more than 100 false documents and that each had a role in the offenses.

This was a joint investigation with the FBI, Immigration and Customs Enforcement (ICE), IRS-CI, Social Security Administration (SSA)-OIG, and Clinton Police Department. *United States* v. *Fazal Mehmood, et al.* (S.D. Iowa)

Wife of Former DHS Official Sentenced for Her Role in Filing Fraudulent Labor Certifications

Maria Kallas, the wife of a former DHS official, was sentenced on June 2, 2011, to four years in prison and two years' supervised release for her role in assisting her husband in defrauding the FLC process.

On March 21, 2011, Kallas' husband, Constantine Peter Kallas, the former Assistant Chief Counsel at ICE, was sentenced to more than 17 years in prison for conspiring to defraud the FLC process and, in a separate scheme, making false statements to obtain FECA benefits. Mr. Kallas was convicted in April 2010 of three dozen felony counts, including conspiracy, bribery, obstruction of justice, fraud and misuse of entry documents, aggravated identity theft, making false statements to DOL, making false statements to obtain Federal employee compensation, and tax evasion. Mrs. Kallas' pled guilty to conspiracy, bribery, and conspiracy to commit money laundering in November 2009.

In the FLC scheme, the couple accepted approximately $425,854 in bribes to illegally adjust the immigration status of foreign nationals. They utilized the identities of three inactive companies to falsely petition on behalf of foreign nationals for employment-based visas. From 2005 to 2007,

the defendants filed several false applications with ETA and DHS Citizenship and Immigration Services, charging up to $20,000 per petition.

This was a joint investigation with the FBI, DHS-Homeland Security Investigations (HSI), and IRS-CI. *United States* v. *Maria Gabriela Kallas* (C.D. California)

Visa Fraud Conspirators Plead Guilty

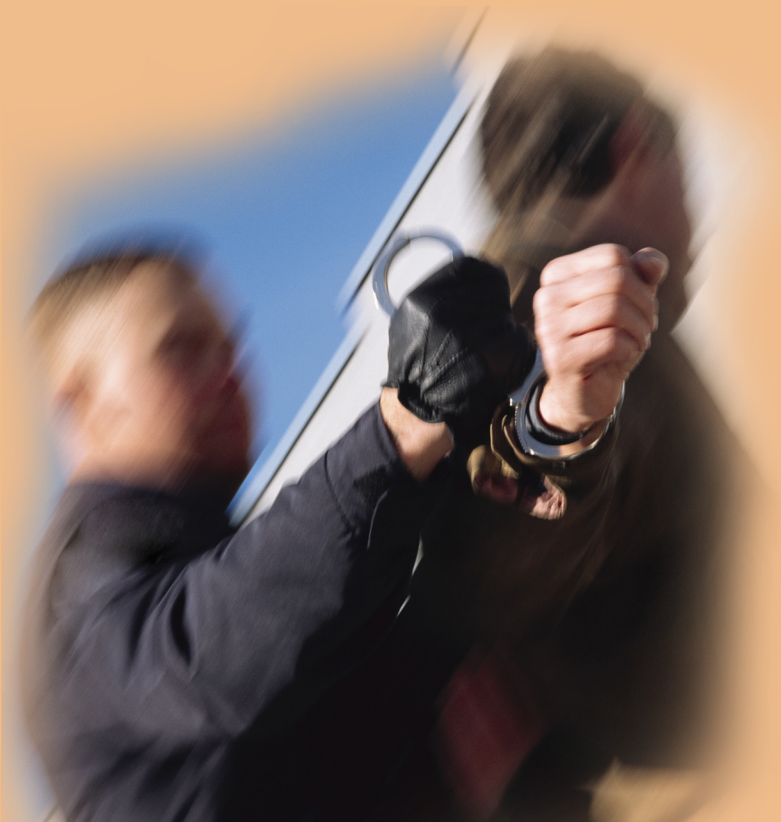
Jose Vicharelly and Irma Vicharelly each pled guilty on September 15, 2011, to conspiracy to commit visa fraud. Additionally, Jose Vicharelly pled guilty to conspiracy to encourage foreign nationals to illegally enter and reside in the United States.

The Vicharellys, Pedro Saul Ocampo, Rene Morales, Servando Gonzalez, and Angela Faulk, pled guilty between July and September 2011 to conspiracy to commit visa fraud. The conspirators were all officers and employees of Texas Staffing Resources (TSR), a temporary labor leasing company.

The defendants' pleas resulted from their involvement in a scheme in which they fraudulently petitioned for H-2B visas on behalf of employers supposedly seeking contract foreign labor. By filing falsified H-2B related documents and government forms with DOL, DHS, and the U.S. Department of State for more employees than were needed or wanted by employers, TSR attained a surplus of approved H-2B visas. The defendants then sold the surplus visas to undocumented Mexican nationals for $1,500 or $2,500 each. The employers, whose identities were used in the scheme, were unaware of the falsified petitions filed in their names.

This is a joint investigation with the DHS-HSI. *United States* v. *Jose Ramiro Vicharelly, Irma Lopez Vicharelly, Angela Paola Faulk, Pedro Saul Ocampo Munguia, Servando Gonzalez, Jr.* (W.D. Texas)

Labor Racketeering



Labor Racketeering

The OIG at DOL has a unique programmatic responsibility to investigate labor racketeering and/or organized crime influence involving unions, employee benefit plans, and labor-management relations. The Inspector General Act of 1978 transferred responsibility for labor racketeering and organized crime-related investigations from the Department to the OIG. In doing so, Congress recognized the need to place the labor racketeering investigative function in an independent law enforcement office free from political interference and competing priorities. Since the 1978 passage of the Inspector General Act, OIG special agents, working in association with the Department of Justice's Organized Crime and Gang Section, as well as various U.S. Attorneys' Offices, have conducted criminal investigations to combat labor racketeering in all its forms.

Labor racketeering relates to the infiltration, exploitation, and/or control of a union, employee benefit plan, employer entity, or workforce. It is carried out through illegal, violent, or fraudulent means for profit or personal benefit.

Labor Racketeering and organized crime groups have been involved in benefit plan fraud, violence against union members, embezzlement, and extortion. Our investigations continue to identify complex financial and investment schemes used to defraud benefit fund assets, resulting in millions of dollars in losses to plan participants. The schemes include embezzlement or other sophisticated methods, such as fraudulent loans or excessive fees paid to corrupt union and benefit plan service providers. OIG investigations have demonstrated that abuses involving service providers are particularly egregious due to their potential for large dollar losses and because the schemes often affect several plans simultaneously. For example, benefit plan service providers, including accountants, attorneys, contract administrators, and medical providers, as well as corrupt union officials, plan representatives, and trustees, continue to be a strong focus of OIG investigations. The OIG is committed to safeguarding American workers from being victimized through labor racketeering and/or organized crime schemes.

Labor racketeering impacts American workers, employers, and the public through reduced wages and benefits, diminished competitive business opportunities, and increased costs for goods and services.

The following cases are illustrative of our work in helping to eradicate both traditional and nontraditional labor racketeering in the nation's labor unions, employee benefit plans, and workplaces.

Labor-Management Investigations

Labor-management relations cases involve corrupt relationships between management and union officials. Typical labor-management cases range from collusion between representatives of management and corrupt union officials, to the use of the threat of "labor problems" to extort money or other benefits from employers.

Former Illinois Governor Blagojevich Convicted on Corruption Charges

Rod Blagojevich, the former Illinois Governor, was convicted on June 27, 2011, on 10 counts of wire fraud, two counts of attempted extortion, one count of solicitation of a bribe, two counts of extortion conspiracy, and two counts of solicitation conspiracy. The wire fraud conviction included two counts in which he engaged in telephone conversations with a union official. During the calls, he attempted to obtain employment for himself or his wife with a not-for-profit group comprising seven unions that organize campaigns to promote unions' interests, in exchange for a Senate appointment.

This was a joint investigation with the FBI, IRS-CI, and USPIS. *United States* v. *Blagojevich* (N.D. Illinois)

Over $20 Million in Restitution and Forfeiture Ordered for Six Sentenced in Carpenter's Union Case

The District Council of Carpenters (DCC) oversees 10 local unions in the New York City area with more than 20,000 members. These convictions and sentences resulted from the prohibited payments by contractors to union officials who permitted abrogation of the CBAs by allowing underpayments of contributions to the union-sponsored benefit plans, resulting in financial harm to the union members.

Michael Forde, former executive secretary-treasurer and lead defendant in the case, was previously sentenced to 11 years in prison and ordered to pay $5.7 million in restitution to the DCC on April 25, 2011. John Greaney, former Local 608 business manager, was sentenced on June 17, 2011, to one year and one day in prison. He was also ordered to pay $4.9 million in restitution jointly and severally with co-defendants, Forde and Brian Hayes, who were sentenced in a previous reporting period. Others also sentenced in this reporting period were:

- Michael Mitchell, a former United Brotherhood of Carpenters and Joiners of America (UBCJ) shop steward, who was sentenced on April 1, 2011, to five years in prison and two years of supervised release, and ordered to pay $52,434 in restitution. Similarly, Matthew Kelleher, a UBCJ member, was sentenced on September 6, 2011, to two years' supervised release.
- Joseph Olivieri, a former director of the Association of Wall-Ceiling and Carpentry Industries (an employer association) and a trustee of the District Council of Carpenters' benefit funds, who was sentenced on June 3, 2011, to one year and six months in prison and three years' supervised release.
- James Murray, the owner of On Par Construction, who was sentenced on April 7, 2011, to one year of supervised release and ordered to forfeit $10.5 million.
- Finbar O'Neill, a contractor and owner of One Key, who was sentenced on August 19, 2011, to five years' supervised release and ordered to pay $112,704 in restitution and $325,000 in forfeiture.

Additionally, Lawrence Pesce, a construction manager for a local college, was sentenced on August 3, 2011, to three years in prison, two years' supervised release, and ordered to pay $2.5 million in restitution and $1 million in forfeiture. Pesce was convicted for requiring a contractor to inflate its bid on a college construction project by $2 million and kickback the equivalent in cash and property to him.

This was a joint investigation with the FBI. *United States* v. *Michael Forde, et al.* (S.D. New York)

Genovese Soldier Sentenced to Prison

Stephen Depiro, a soldier in the Genovese La Cosa Nostra family, was sentenced on September 21, 2011, to two years and nine months in prison, to be followed by three years' supervised release. He pled guilty on June 17, 2011, to the charge of conspiracy to harbor a person from arrest. From May 2004 to March 2007, he aided Michael Coppola, a captain in the Genovese family and fugitive from justice. Prior to his capture in 2009, Coppola was charged and convicted at trial in another OIG case for engaging in 33 years of extortionate control over Local 1235 of the International Longshoremen's Union.

Prior to his guilty plea of conspiracy to harbor a person from arrest, Depiro was charged, along with 17 others, in January. The investigation alleged numerous violations, including RICO charges.

This is a joint investigation with the FBI. *United States* v. *Depiro* (E.D. New York)

Benefit Plan Investigations

The OIG is responsible for combating corruption involving funds in employee benefit plans. These pension plans and health and welfare benefit plans comprise hundreds of billions of dollars in assets. Our investigations have shown that these assets remain vulnerable to labor racketeering schemes and/or organized crime influence. Benefit plan service providers, including accountants, actuaries, attorneys, contract administrators, investment advisors, insurance brokers, and medical providers, as well as corrupt union officials, plan representatives, and trustees, continue to be a strong focus of OIG investigations.

Former Plumbers Union Worker Sentenced to Three Years for Embezzling Funds and Dues

April Franklin, a former bookkeeper for United Association of Plumbers and Pipe Fitters (UA) Local 333, was sentenced on July 25, 2011, to three years and six months in prison, three years' supervised release, 300 hours of community service, and restitution in the amount of approximately $412,000 to the UA.

Franklin pled guilty on April 7, 2011, to theft from an employee benefit plan and embezzlement of labor organization assets. The charges stemmed from her theft of union funds during her employment with the Local 333. An audit that led to a subsequent criminal investigation revealed that Franklin, while employed by Local 333, issued checks to herself for payment of personal expenses.

Between 2003 and 2009, Franklin admitted to stealing over $371,093 from an account held by the Local 333 Joint Apprenticeship and Training Fund, an employee welfare benefit fund. Additionally, she admitted to stealing approximately $40,000 in cash dues that were paid to the union by its members. Franklin falsified the union's accounting records to hide the thefts from co-workers and the auditor.

This was a joint investigation with EBSA and the Office of Labor-Management Standards. *United States* v. *April Franklin* (W.D. Michigan)

Former Leader of the Michigan Council of Carpenters Union Enters Guilty Plea Involving Union Pension Fund

Walter Mabry, a former executive secretary-treasurer of the Michigan Regional Counsel of Carpenters and Millwrights and former Board Chairman to the Carpenter's Pension Trust Fund – Detroit and Vicinity, pled guilty on May 10, 2011, to taking kickbacks in connection with his position as head of the Union and Chairman of the Board of Trustees of the Carpenters Pension Trust Fund. He admitted to receipt of approximately $10,000 in hotel and dining expenses from Joseph Jewett and John Orecchio between April 2004 and September 2006.

Orecchio was an executive at AA Capital Partners, which was an investment manager for the Carpenters' Pension Trust Fund. Jewett was a consultant hired by AA Capital Partners in connection with a $70 million investment by the pension fund in the construction of a gambling casino in Biloxi, Mississippi. In order to obtain the $70 million investment from Mabry, Orrechio was required to hire Jewett as a casino consultant. Orrechio, Jewett, and Mabry agreed to split proceeds of the AA Capital Partners casino investment, backed by the pension fund.

In a separate action, Jewett was convicted of promising to give a $266,000 kickback to Mabry, because Mabry caused Orecchio to hire Jewett as a consultant on the casino investment.

This is a joint investigation with the FBI and EBSA. Investigative assistance was provided by the Nevada Gaming Commission and Securities Exchange Commission. *United States* v. *Walter Ralph Mabry* (E.D. Michigan)

Former Office Manager of Union Fund Pleads Guilty to Embezzling

Theresa Waters, a former administrative assistant and office manager to the South Central Laborers Training and Apprenticeship Fund (SCLTAF), pled guilty on April 18, 2011, to embezzlement from an employee benefit plan. SCLTAF is a welfare plan arrangement and is funded by various union contractors throughout the states of Texas, Louisiana, Arkansas, Mississippi, and Oklahoma.

From December 2004 through October 2008, Waters embezzled approximately $491,000 from SCLTAF. She devised a scheme to embezzle from the SCLTAF by, among other things, making personal purchases using her SCLTAF-issued credit card and using SCLTAF funds to pay for the purchases. Waters concealed her scheme for years by altering the SCLTAF's credit card statements and maintaining a set of fraudulently altered statements that omitted any reference to her purchases.

This case is a joint investigation with EBSA, Pointe Coupee Parish Sheriff's Office, and West Baton Rouge Parish Sheriff's Office. *United States* v. *Theresa Waters* (M.D. Louisiana)

Restaurant Owner Pleads Guilty to Embezzling from Employee Retirement Plan

Steven Zavidow, a former trustee and administrator of the Zavco Industries Retirement Plan, pled guilty on April 8, 2011, to embezzlement from an employee benefit plan and tax evasion. The Plan was created to provide pension benefits for the employees of approximately 11 restaurants.

From March 2006 through August 2006, Zavidow, contrary to his fiduciary duties, knowingly embezzled approximately $263,000 belonging to an ERISA-covered employee benefit plan by issuing checks to himself and other family members for personal use. He carried out this scheme by depositing checks into his wife's bank account; cashing checks at a check-cashing location; and funneling plan assets into various other corporations with which he was affiliated. Zavidow eventually depleted the plan of all its assets. In addition, in October 2007, Zavidow declared that he had zero taxable income in 2006 when, in fact, he received approximately $263,000 from the plan.

At the time of the criminal complaint, filed on August 5, 2010, the Plan had 129 participants, of which approximately 29 were eligible to retire and receive benefits. However, the plan's account balance was zero.

This is a joint investigation with EBSA and IRS. *United States* v. *Steven Zavidow* (D. New Jersey)

Two Company Principals Charged With Embezzlement from Employee Benefit Fund

The two principals of PAF Painting Services and G. Fucci Construction Services Company were charged on June 13, 2011, with conspiracy to embezzle and embezzlement from an employee benefit fund. This superseding indictment seeks a forfeiture of $1 million, which represents the proceeds obtained as a result of these offenses.

The principals of the two companies allegedly participated in a scheme in which union painters were paid non-union wages off the books and received no benefits. These acts were allegedly in violation of the collective bargaining agreements (CBA) between the two companies and District Council 9 of the International Union of Painters and Allied Trades. The principals allegedly engaged in fraudulent conduct intended to prevent the collection of contributions for the benefit funds of District Council

9 and the subsequent remittances required by ERISA. The companies benefited by avoidance of the required payment to the benefit funds.

This is a joint investigation with the FBI and EBSA. (S.D. New York)

Physician and Wife Charged with Health Care Fraud Against Union-Sponsored Benefit Plans

A suburban Chicago chiropractor and his wife were indicted on June 16, 2011, on seven counts of health care fraud.

The indictment alleges that from 2005 through 2011, the physician and, at times, his wife devised and participated in a scheme to defraud health care benefit programs, including several union-sponsored benefit plans. The defendants allegedly obtained patient information, including the patient's name and health insurance claim number, typically by providing health care services to the patient on at least one occasion. They then allegedly submitted claims containing false and fraudulent information covering health care services supposedly rendered to the patients on the specified dates.

This is a joint investigation with FBI and EBSA. (N.D. Illinois)

$8.1 Million in Forfeiture Filed For a Physician and Owner of Clinic Charged along with Chief Operating Officer in Health Benefit Plan Scheme

A physician and owner of a medical practice and his chief operating officer were indicted on April 27, 2011, on charges of conspiracy and health care fraud involving union and employee health benefit plans. Additionally, a forfeiture count for $8.1 million was also filed.

The two allegedly engaged in a scheme to systematically inflate bills and overcharge the Culinary and Teamsters Union health plans along with Medicare, Medicaid, and other private insurers for anesthetic procedures by overstating the time that the certified registered nurse anesthetists (CRNAs) spent with patients on a given procedure. The CRNAs were allegedly instructed to fraudulently inflate the necessary time for procedures. At one clinic, records indicated that CRNAs saw between 60 and 80 patients a day, making it impossible to spend 31 minutes with each patient as claimed.

This is a joint investigation with the Food and Drug Administration, HHS-OIG, United States Postal Inspection Service (USPIS), and Nevada Attorney General's Office. (D. Nevada)

Clinic Owners Accused of Defrauding Insurers

Three owners of chiropractor clinics were indicted on August 31, 2011, for allegedly defrauding private health insurance companies and union-sponsored plans. According to the indictment, the defendants submitted false insurance claims to private insurance companies for medical services that either were not medically necessary or were not provided to the patients. Between 1999 and 2008, the defendants billed one private insurance company more than $18 million.

As part of the fraud scheme, the defendants allegedly instructed their clinics' chiropractors to order neurological diagnostic testing and MRIs for patients, regardless of medical necessity, and then to falsify the patients' diagnoses so their health plans would cover additional visits for treatment.

This is a joint investigation with the Department of Justice-HHS Medicare Fraud Strike Force and the FBI. (N.D. Illinois)

Internal Union Corruption Investigations

Our internal union investigation cases involve instances of corruption, including officers who abuse their positions of authority in labor organizations to embezzle money from union and member benefit plan accounts, and who defraud hardworking members of their right to honest services. Investigations in this area also focus on situations in which organized crime groups control or influence a labor organization—frequently to influence an industry for corrupt purposes or to operate traditional vice schemes. Following are examples of our work in this area.

Three Sentenced on Bribery Charges Involving Designated Legal Counsel Scheme

Robert McKinney, a personal injury attorney and Designated Legal Counsel (DLC) for the BLET, was sentenced on May 12, 2011, to serve four months in prison, three years' supervised release, and ordered to pay a $250,000 fine.

Thomas Miller, a Brotherhood of Locomotive Engineers and Trainman (BLET) special representative, was sentenced on June 23, 2011, to serve one month in prison, two years' supervised release, and ordered to pay a $60,000 fine. Miller collected illegal payments for then-BLET President, Edward Rodzwicz.

Bryan Cartall, a personal injury attorney and DLC attorney for BLET, was sentenced on September 20, 2011, to three years' probation with the first six months as home confinement, and ordered to pay $150,000 in restitution.

BLET represents more than 55,000 members and is now a division of the Rail Conference of the International Brotherhood of Teamsters. Both McKinney and Cartall sought to become DLC representatives for BLET because of the substantial monetary recoveries won in this type of litigation. The two attorneys (McKinney and Cartall) bribed a former BLET president to ensure their selection and retention on the union's DLC list; Miller collected the bribes for the former president.

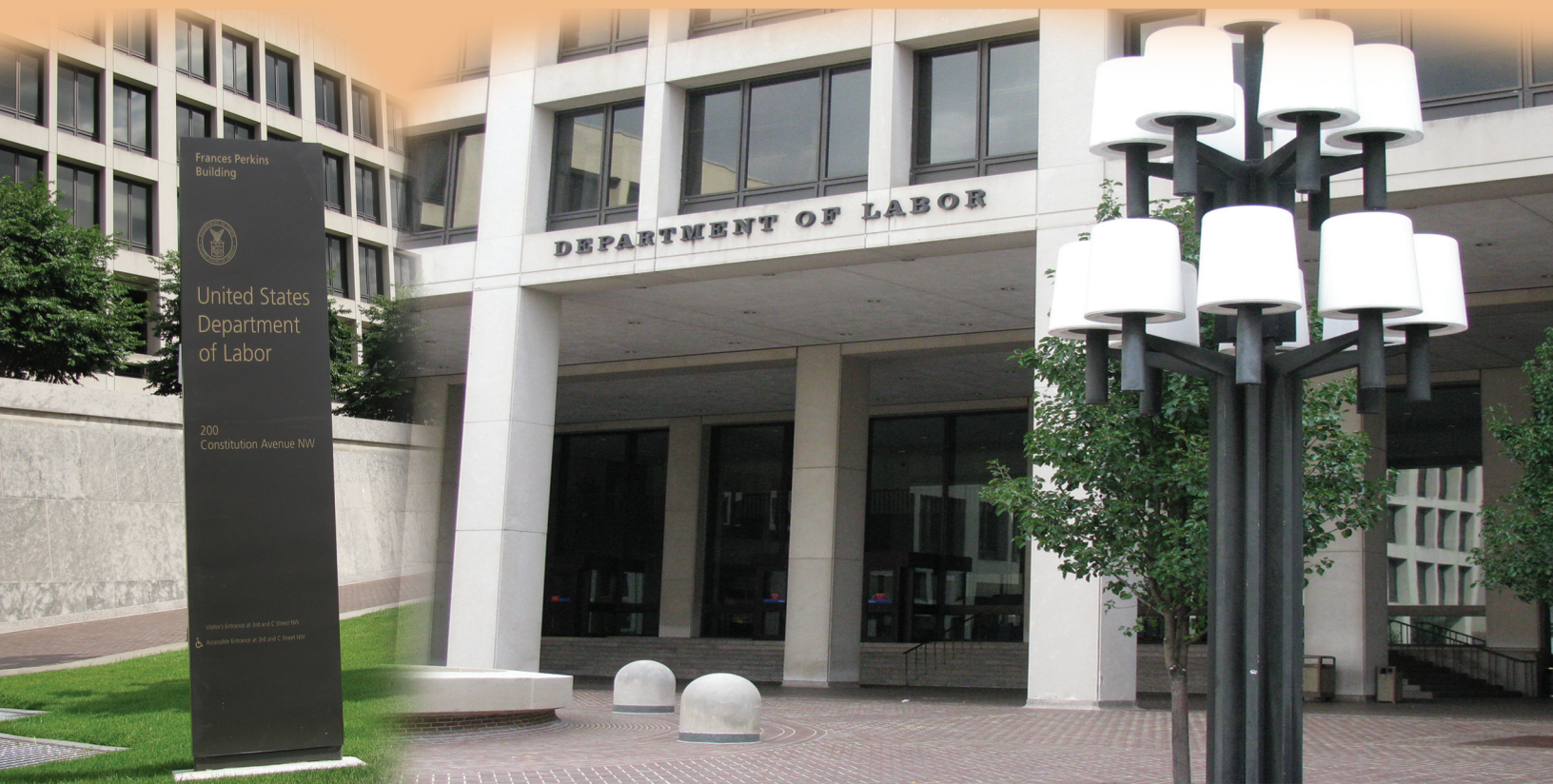
This was a joint investigation with the FBI. *United States* v. *Robert L. McKinney, United States* v. *Thomas E. Miller,* and *United States* v. *Bryan Cartall* (N.D. Ohio)

Union Member Sentenced for Wire Fraud in No-Show Employment Scheme at the Port of Baltimore

Milton Tillman, Jr., an International Longshoremen's Association (ILA) Local 333 union member, was sentenced on July 8, 2011, to four years and three months in prison, five years' supervised release, and criminal restitution in the amount of $120,000 payable to Ports America Chesapeake, LLC (Ports America).

Between 2001 and 2007, Tillman was an ILA Local 333 member who represented that he worked as a longshoreman at the Port of Baltimore. Tillman was required to be physically present at the marine terminals to work with a longshoremen gang to load or unload a particular ship. Wage records maintained by Ports America indicated that the company paid wages and hourly benefit contributions to Tillman for over 200 shifts he supposedly worked in 2006 and 2007. However, he was compensated for work at the Port of Baltimore when, in fact, he was on extensive personal travel, both domestically and internationally, for approximately 121 of 258 work shifts. As a result of Tillman's scheme, Ports America paid wages and fringe benefit contributions into the ILA employee benefit plans for hours that he did not work. *United States* v. *Milton Tillman Jr., et al.* (D. Maryland)

Departmental Management



OIG Report Details Improper Procurement Practices by Senior Officials at the Veterans' Employment and Training Services

An OIG investigation, initiated as a result of a complaint received from a former Veterans' Employment and Training Services (VETS) employee, found a pattern of misconduct involving the VETS Assistant Secretary and two other senior VETS officials. Their conduct reflected a consistent disregard of Federal procurement rules and regulations, Federal ethics principles, and the proper stewardship of appropriated dollars.

We determined that the Assistant Secretary's insistence upon retaining the services of several contractors led to the circumvention of procurement rules and regulations. The OIG found that Department employees were often placed in untenable positions by the Assistant Secretary's actions, and felt pressure and/or were intimidated by him, or other senior VETS officials acting at his direction. In one example, this pattern of conduct resulted in payments of up to $700,000 to secure the services of one contractor. These services could have been secured at a lower cost and should have been secured through open competition.

The OIG recommended that the Department review the specific procurement actions to determine, what, if any, further actions should be taken. In response, the Department did not contest the findings as established by the facts cited in the OIG's report. The Department also responded that it has recently taken several measures to improve safeguards in the procurement process within VETS, including the imposition of protocols requiring VETS to submit proposed procurement actions to a special DOL board for the approval and hiring of an experienced procurement official within VETS, among other things. The Department has also instituted new procedures for all agency procurement officials. The Assistant Secretary and his Chief of Staff resigned following the issuance of the OIG report.

Significant Deficiencies Persist in the Department's IT Security Program

As required by the Federal Information Security Management Act (FISMA), the OIG conducted an independent audit to determine whether the Department was meeting requirements. We assessed the effectiveness of selected management, operational, and technical information technology (IT) security controls in place for seven major information systems within five DOL agencies. In addition, we considered work performed by the OIG and external auditors, which included the OIG's financial statement audit work, and performance audits of IT remediation and IT inventory.

We found that the Chief Information Officer (CIO) has yet to establish a Risk Management Compliance Program as a Department-wide solution to deficiencies identified in our FY 2009 FISMA audit. As a result, we identified three significant deficiencies in the following security control areas of the Department's IT security program: access control, oversight of third-party systems, and inventory of IT assets. While not rising to the level of a significant deficiency, additional IT security control weaknesses were identified during FISMA testing in the areas of remediation of prior-year recommendations, configuration management, contingency planning, and incident response.

For the fifth consecutive year, access control was a significant deficiency and was, in fact, worse than we had reported in FY 2009. During our testing, we were able to gain unauthorized system administrative access to one of the Department's major information management systems. This system's database also contains personally identifiable information (PII). Recurring access control weaknesses present a significant risk to information and information systems, possibly compromising their integrity, presenting opportunities for fraud or misuse, and resulting in significant impairments to agency mission-critical operations.

For the second consecutive year, the Department was unable to ensure that IT security was being addressed throughout the life cycle of information systems developed by third parties. We discovered problems with configuration management and continuity planning in all five of the systems tested. In a separate audit of sensitive IT assets, we identified obvious and systemic control deficiencies resulting from a lack of proper accountability of IT sensitive assets in all five phases of the inventory process — procurement, distribution and accountability, disposal, reconciliation, and update — and the CIO's lack of oversight. Without significant improvements in oversight, accountability, and inventory controls, the Department risks the potential of eroding the public's trust should an undetected IT security breach occur.

We recommended the CIO ensure appropriate resources are available to provide effective oversight of the areas identified as significant deficiencies and implement its planned, risk-based management and compliance program Department wide. The Department agreed with the recommendations and stated that it is planning to implement these and other steps. (Report No. 23-11-005-07-001, September 21, 2011)

Improvements Are Needed in DOL IT Security Remediation Efforts

Since 2003, OIG annual FISMA audits have recommended numerous corrective actions for deficiencies within the Department's information security practices, including critical weaknesses in access controls and poor oversight of contractor systems. In DOL, the risks associated with open IT recommendations are the responsibility of the system's agency head, which is delegated to a senior-level official in the agency called the Designated Approving Authority (DAA). Audit resolution, closure, and follow-up of open recommendations are integral to good departmental management. Corrective action taken on OIG audit recommendations is essential to improving the effectiveness and security of DOL operations. We conducted a performance audit to determine how much progress the Department has made in implementing OIG recommendations to remediate identified IT security vulnerabilities. We tested 301 of the 415 recommendations that agency management had represented to the OIG as being closed as of the beginning of FY 2010, and found that 41 recommendations had not been fully implemented. These recommendations pertained to: control weaknesses over access controls, PII, interconnectivity agreements; permission settings; and configuration-management plans. For the last four consecutive years, OIG FISMA audits have reported access controls as a significant deficiency.

Our audit results indicated timely remediation of IT recommendations was not a management priority. Moreover, component agencies claimed they lacked the resources and technical expertise to implement the agreed-upon corrective actions. Of the 492 prior-year recommendations, the planned completion dates for 299 were extended at least once. As of May 25, 2011, 95 recommendations had been open for more than two years. Until management remediates these open IT recommendations, DOL's mission-critical systems remain at an increased and unnecessary risk of misuse and disruption.

We recommended that the CIO develop procedures in conjunction with the DAAs to modify agreed-upon planned corrective actions. For those systems having open IT recommendations, we recommended the development of immediate action plans to close recommendations. OASAM did not concur with either the cause or the recommendations and submitted alternative recommendations. However, we did not believe the alternative recommendations would result in a significant change to the remediation process already in place. Prioritizing closure of the outstanding, open recommendations needs the direct involvement of the CIO and other key program officials such as the DAAs. (Report No. 23-11-002-07-001, September 14, 2011)

Single Audits

Office of Management and Budget (OMB) Circular A-133 (A-133) provides audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving Federal awards. Under A-133, covered entities that expend $500,000 or more a year in Federal awards are required to obtain an annual organization-wide audit that includes the auditor's opinion on the entity's financial statements and compliance with Federal award requirements. Non-Federal auditors, such as public accounting firms and state auditors, conduct these single audits. The OIG reviews the resulting audit reports for findings and questioned costs related to DOL awards, and to ensure that the reports comply with the requirements of A-133.

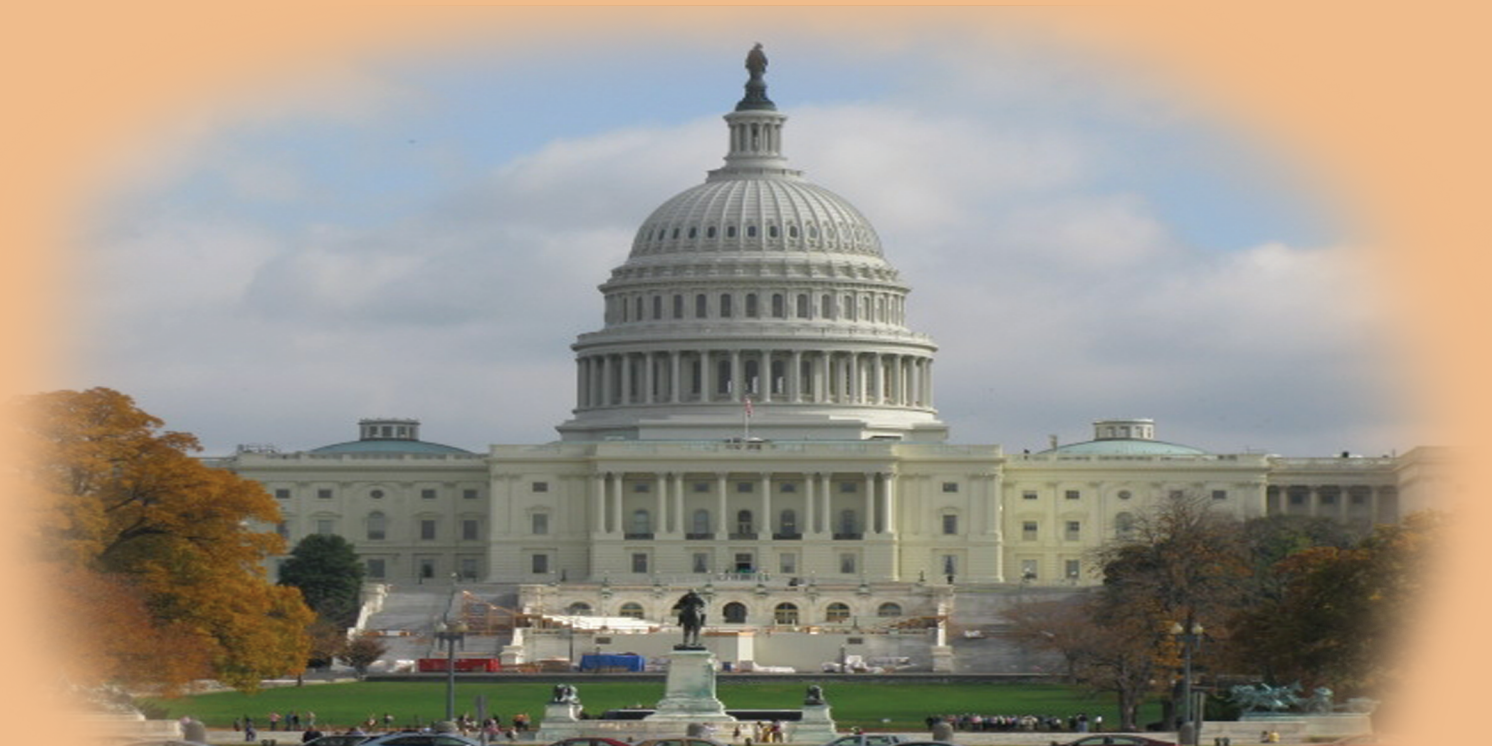
Single Audits Identify Material Weaknesses and Significant Deficiencies in 67 of 121 Reports

We reviewed 121 single audit reports this period, covering DOL expenditures of more than $115 billion during the 2010 audit year. These expenditures included more than $39 billion related to Recovery Act funding. The non-Federal auditors issued 26 qualified or adverse opinions on awardees' compliance with Federal grant requirements, their financial statements, or both. In particular, the auditors identified 229 findings as material weaknesses or significant deficiencies and more than $24 million in questioned costs in 67 of the 121 reports reviewed, indicating serious concerns about the auditees' ability to manage DOL funds and comply with the requirements of major grant programs. We reported these 229 findings and 264 related recommendations to DOL management for corrective action.

Recipients expending more than $50 million a year in Federal awards are assigned a cognizant Federal agency for audit, and the cognizant agency is responsible for conducting or obtaining quality control reviews of selected A-133 audits. In FY 2011, DOL was the cognizant agency for 16 recipients.

During the period, we conducted one quality control review of auditors' reports and supporting audit documentation. The purpose of the review was to determine whether: (1) the audit was conducted in accordance with applicable standards and met the single audit requirements; (2) any follow-up audit work was needed; and (3) there were any issues that may require management's attention. As a result of this review, the single audit report had to be reissued because of a material error in the Schedule of Expenditures of Federal Awards that had not been identified by the auditors.

Legislative Recommendations



Legislative Recommendations

The Inspector General Act requires the OIG to review existing or proposed legislation and regulations and make recommendations in the Semiannual Report concerning their impact on the economy and efficiency of the Department's programs, and on the prevention of fraud and abuse. The OIG's legislative recommendations have remained markedly unchanged over the last several Semiannual Reports, and the OIG continues to believe that the following legislative actions are necessary to promote increased efficiency in and protection of the Department's programs and mission.

Allow DOL Access to Wage Records

To reduce overpayments in employee benefit programs, including UI, FECA, and Disaster Unemployment Assistance, the Department and the OIG need legislative authority to easily and expeditiously access state UI wage records, SSA wage records, and employment information from the National Directory of New Hires (NDNH), which is maintained by the Department of Health and Human Services.

By cross-matching UI claims against NDNH data, states can better detect overpayments to UI claimants who have gone back to work but who continue to collect UI benefits. However, the law (42 U.S.C. 653 (i)) does not permit DOL or the OIG access to the NDNH. Moreover, access to SSA and UI data would allow the Department to measure the long-term impact of employment and training services on job retention and earnings. In the absence of such statutory authority, outcome information of this type for program participants is otherwise burdensome and even impossible to obtain.

Amend Pension Protection Laws

Legislative changes to ERISA and criminal penalties for ERISA violations would enhance the protection of assets in pension plans. To this end, the OIG recommends the following:

- **Expand the authority of EBSA to correct substandard benefit plan audits and ensure that auditors with poor records do not perform additional plan audits.** Changes should include providing EBSA with greater enforcement authority over registration, suspension, and debarment, and the ability to levy civil penalties against employee benefit plan auditors. The ability to correct substandard audits and take action against plan auditors is important because benefit plan audits help protect participants and beneficiaries by ensuring the proper value of plan assets and correct computation of benefits.

- **Require direct reporting of ERISA violations to DOL.** Under current law, a pension plan auditor who finds a potential ERISA violation is responsible for reporting it to the plan administrator, but not directly to DOL. To ensure that improprieties are addressed, we recommend that plan administrators or auditors be required to report potential ERISA violations directly to DOL. This would ensure the timely reporting of violations and would more actively involve auditors in safeguarding pension assets, providing a first line of defense against the abuse of workers' pension plans.

- **Strengthen criminal penalties in Title 18 of the United States Code.** Three sections of U.S.C. Title 18 serve as the primary criminal enforcement tools for protecting pension plans covered by ERISA. Embezzlement or theft from employee pension and welfare plans is prohibited

by Section 664; making false statements in documents required by ERISA is prohibited by Section 1027; and giving or accepting bribes related to the operation of ERISA-covered plans is prohibited by Section 1954. Sections 664 and 1027 subject violators to up to five years' imprisonment, while Section 1954 calls for up to three years' imprisonment. We recommend the consideration of raising the maximum penalty for all three violations and to determine whether it would be a greater deterrent to further protect employee pension plans.

Provide Authority to Ensure the Integrity of the Foreign Labor Certification Process

If DOL is to have a meaningful role in the H-1B specialty occupations foreign labor certification process, it must have the statutory authority to ensure the integrity of that process, including the ability to verify the accuracy of information provided on labor condition applications. Currently, DOL is statutorily required to certify H-1B applications unless it determines them to be "incomplete or obviously inaccurate." Our concern with the Department's limited ability to ensure the integrity of the certification process is heightened by the results of OIG investigations that show the program is susceptible to significant fraud and abuse.

Enhance the WIA Program Through Reauthorization

The reauthorization of the WIA provides an opportunity to revise WIA programs to better achieve their goals. Based on our audit work, the OIG recommends the following:

- **Improve state and local reporting of WIA obligations.** A disagreement between ETA and the states about the level of funds available to states drew attention to the way WIA obligations and expenditures are reported. The OIG's prior work in nine states and Puerto Rico showed that obligations provide a more useful measure for assessing states' WIA funding status if obligations accurately reflect legally committed funds and are consistently reported.

- **Modify WIA to encourage the participation of training providers.** WIA participants use individual training accounts to obtain services from approved eligible training providers. However, performance reporting and eligibility requirements for training providers have made some potential providers, such as public colleges and vocational schools, unwilling to serve WIA participants.

- **Support amendments to resolve uncertainty about the release of WIA participants' personally identifying information for WIA reporting purposes.** Some training providers are hesitant to disclose participant data to states for fear of violating the Family Education Rights and Privacy Act.

Improve the Integrity of the FECA Program

The OIG believes reforms should be considered to improve the effectiveness and integrity of the FECA program in the following areas:

- **Statutory access to Social Security wage records and the National Directory of New Hires.** Currently, the Department can only access Social Security wage information if the claimant gives it permission to do so, and has no access to the NDNH. Granting the Department routine access to these databases would aid in the detection of fraud committed by individuals receiving FECA wage-loss compensation but failing to report income they have earned through work.

- **Benefit rates when claimants reach normal Federal or Social Security retirement age.** Alternate views have arisen as to whether and how benefit rates should be

adjusted when beneficiaries reach Federal or Social Security retirement age. The benefit rate structure for FECA should be reassessed to determine what an appropriate benefit should be for those beneficiaries who remain on the FECA rolls into retirement. Careful consideration is needed to ensure that the benefit rates ultimately established will have the desired effect of providing appropriate compensation while ensuring fairness to injured workers, especially those who have been determined to be permanently injured and thus unable to return to work.

- **Three-day waiting period.** The FECA legislation provides for a three-day waiting period immediately after a work-related injury and before benefits apply to discourage the filing of frivolous claims. As currently written, the legislation places the waiting period at the end of the 45-day continuation of pay period; thereby negating its purpose. Legislation passed in 2006 placed the waiting period immediately after an employment-related injury for Postal employees. If the intent of the law is to have a true waiting period before applying for benefits, therefore the worker can apply for benefits.

Clarify MSHA's Authority to Issue Verbal Mine Closure Orders

The Mine Safety and Health Act of 1977 (Mine Act) charges the Secretary of Labor with protecting the lives and health of workers in coal and other mines. To that end, the Mine Act contains provisions authorizing the Secretary to issue mine closure orders. Specifically, Section 103(j) states that in the event of any accident occurring in a coal or other mine, where rescue and recovery work is necessary, the Secretary or an authorized representative of the Secretary shall take whatever action he deems appropriate to protect the life of any person. Under Section 103(k), the Act states that an authorized representative of the Secretary, *when present*, may issue such orders as he deems appropriate to insure the safety of any person in the coal or other mine.

The primary purpose of the Mine Act is to give the Secretary the authority to take appropriate action—including ordering a mine closure—to protect lives. As such, the OIG recommends a technical review of the existing language under Section 103(k) to ensure that MSHA's long-standing and critically important authority to take whatever actions may be necessary, including issuing *verbal* mine closure orders, to protect miner health and safety is clear and not vulnerable to challenge.

Appendices

Appendix

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Section 5(a)(10)	Summary of Each Audit Report over Six Months Old for Which No Management Decision Has Been Made	62
Section 5(a)(11)	Description and Explanation of Any Significant Revised Management Decision	NONE
Section 5(a)(12)	Information on Any Significant Management Decisions with Which the Inspector General Disagrees	NONE

Requirement Under the Dodd-Frank Wall Street Reform Act of 2010

Section 3(d)	Peer Review	64

Reporting Requirement Under the Recovery Act of 2010

Section 1553(b)(2)(B)(iii)	Whistleblower Reporting	65

Funds Put to a Better Use

Funds Put to a Better Use Agreed to by DOL		
	Number of Reports	Dollar Value ($ millions)
For which no management decision had been made as of the commencement of the reporting period	6	1,346.2
Issued during the reporting period	5	677.2
Subtotal	11	2,023.4
For which management decision was made during the reporting period:		
•Dollar value of recommendations that were agreed to by management		15.2
•Dollar value of recommendations that were not agreed to by management		1,300
For which no management decision had been made as of the end of the reporting period	5	677.2

Funds Put to a Better Use Implemented by DOL		
	Number of Reports	Dollar Value ($ millions)
For which final action had not been taken as of the commencement of the reporting period	1	0.1
For which management or appeal decisions were made during the reporting period	4	15.2
Subtotal	5	15.3
For which final action was taken during the reporting period:		
•Dollar value of recommendations that were actually completed		0.0
•Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		0.0
For which no final action had been taken by the end of the period	5	15.3

Questioned Costs

Questioned Costs		
Resolution Activity: Questioned Costs		
	Number of Reports	Questioned Costs ($ millions)
For which no management decision had been made as of the commencement of the reporting period (as adjusted)	19	9.4
Issued during the reporting period	24	29.8
Subtotal	43	39.2
For which a management decision was made during the reporting period:		
Dollar value of disallowed costs		17.5
Dollar value of costs not disallowed		2.2
For which no management decision had been made as of the end of the reporting period	31	19.5
For which no management decision had been made within six months of issuance	11	8.6

Closure Activity: Disallowed Costs		
	Number of Reports	Disallowed Costs ($ millions)
For which final action had not been taken as of the commencement of the reporting period (as adjusted)	65	33.0
For which management or appeal decisions were made during the reporting period	9	17.5
Subtotal	74	50.5
For which final action was taken during the reporting period:		
Dollar value of disallowed costs that were recovered		20.5
Dollar value of disallowed costs that were written off by management		1.3
Dollar value of disallowed costs that entered appeal status		0.0
For which no final action had been taken by the end of the reporting period	54	28.7

Final Audit Reports Issued

Program Name / Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)	Funds Put To Better Use ($)	Other Monetary Impact ($)
Employment and Training Programs				
Employment and Training - Multiple Programs				
Recovery Act: Planning and Coordination of Workforce Development Activities with Federal Infrastructure Investments Needed Improvement; Report No. 18-11-010-03-001; 09/30/11	1	0	0	0
Job Corps Program				
Adams and Associates Did Not Ensure Best Value in Awarding Sub-Contracts at the Red Rock Job Corps Center; Report No. 26-11-002-03-370; 09/30/11	5	334,675	0	0
ETR Did Not Ensure Best Value In Awarding Sub-Contracts At The Turner Job Corps Center; 26-11-003-03-370; 09/30/11	5	1,029,415	0	0
Job Corps Needs To Improve Reliability of Performance Metrics and Results; Report No. 26-11-004-03-370; 09/30/2011	3	0	61,200,000	0
Job Corps Must Strengthen Controls To Ensure Low-Income Eligibility of Applicants; Report No. 26-11-005-03-370; 09/30/11	4	2,270,303	164,600,000	0
Workforce Investment Act				
Grant to the International Association of Nanotechnology; Report No. 02-11-203-03-390; 09/12/11	2	1,500,000	0	0
Additional Information Needed to Measure the Effectiveness and Return on Investment of Training Services Funded Under the WIA Adult and Dislocated Worker Programs; Report No. 03-11-003-03-390; 09/30/11	4	0	124,000,000	0
Recovery Act: Slow Pace Placing Workers Into Jobs Jeopardizes Employment Goals of The Green Jobs Program; Report No. 18-11-004-03-390; 09/30/11	1	0	327,300,000	0
Goal Totals (8 Reports)	**25**	**5,134,393**	**677,100,000**	**0**
Worker Benefit Programs				
Federal Employees' Compensation Act				
Service Auditors' Report on Integrated Federal Employees' Compensation System and Service Auditors' Report on the Medical Bill Processing System For the Period October 1, 2010 to March 31, 2011; Report No. 22-11-008-04-431; 09/13/11	0	0	0	0
Longshore and Harbor Workers' Compensation				
Longshore and Harbor Workers' Compensation Act Special Fund Financial Statement and Independent Auditors' Report; Report No. 22-11-004-04-432; 06/10/11	4	0	0	0
District of Columbia Workmens' Compensation Act Special Fund Financial Statement and Independent Auditors' Report; Report No. 22-11-005-04-432; 06/10/11	4	0	0	0
Employee Benefits Security Program				
Further Action By EBSA Could Help Ensure PPACA Implementation and Compliance; Report No. 09-11-003-12-121; 09/30/11	4	0	0	0
Goal Totals (4 Reports)	**12**	**0**	**0**	**0**

Final Audit Reports Issued, continued

Worker Safety, Health and Workplace Rights				
Mine Safety and Health				
MSHA Must More Consistently Determine The Number Of Required Inspections And More Transparently Report Inspection Results For Metal And Nonmetal Mines; Report No. 05-11-004-06-001; 09/29/11	5	0	0	0
Goal Totals (1 Report)	**5**	**0**	**0**	**0**
Departmental Management				
Office of the Chief Financial Officer				
Independent Auditors' Report on the U.S. Department of Labor's FY 2010 Revised Consolidated Financial Statements; Report No. 22-11-015-13-001; 05/23/11	0	0	0	0
Goal Totals (1 Reports)	**0**	**0**	**0**	**0**
Final Audit Report Totals (14 Reports)	**42**	**5,134,393**	**677,100,000**	**0**

Other Reports

Report Name	Recommendations	Costs ($)
Employment and Training Programs		
Employment and Training - Multiple Programs		
Recovery Act: Quality Control Review Single Audit of Job Service North Dakota for the Year Ended June 30, 2010; Report No. 18-11-008-03-001; 09/30/11	4	0
Verification of Employment and Training Administration and Office of Job Corps Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-017-03-001; 09/22/11	6	0
Federal Information Security Management Act Audit of ETA's E-Grants System and Unemployment Insurance Database Management System; Report Number 23-11-027-03-001; 09/30/11	2	0
Bureau of Labor Statistics		
Verification of Bureau of Labor Statistics Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-008-11-001; 09/20/11	3	0
Goal Totals (4 Reports)	**15**	**0**
Worker Benefit Programs		
Federal Employees' Compensation Act		
Testimony - Reviewing Workers' Compensation for Federal Employees; Report No. 25-11-903-04-431; 05/12/11	0	0
Employee Benefits Security Program		
Verification of Employee Benefits Security Administration Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-009-12-001; 08/25/11	1	0
Federal Information Security Management Act Audit of EBSA's Technical Assistance and Inquiry System; Report Number: 23-11-026-12-001; 09/30/11	3	0
Goal Totals (3 Reports)	**4**	**0**
Worker Safety, Health, and Workplace Rights		
Office of Federal Contract Compliance		
Verification of Office of Federal Contract Compliance Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-014-04-410; 09/19/11	0	0
Wage and Hour Division		
Verification of Office of Division of Wage and Hour Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-013-04-420; 08/26/11	3	0
Office of Labor Management Services		
Verification of Office of Labor Management Services Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-010-04-421; 08/15/11	0	0

Other Reports, continued

Mine Safety and Health		
Verification of Mine Safety and Health Administration Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-015-06-001; 09/01/11	15	0
Occupational Safety and Health		
Verification of Occupational Safety and Health Administration Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-021-10-001; 09/20/11	0	0
Testimony - Is OSHA Undermining State Efforts to Promote Workplace Safety?; Report No. 25-11-905-10-105; 06/16/11	0	0
Goal Totals (6 Reports)	**18**	**0**
Departmental Management		
Office of Public Affairs		
Verification of Office of Public Affairs Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-019-01-001; 08/30/11	0	0
Office of Administrative Law Judges		
Verification of Office of Administrative Law Judges Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-011-01-060; 08/26/11	34	0
Office of Disability Employment Policy		
Verification of Office of Disability Employment Policy Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-020-01-080; 08/25/11	1	0
Office of the Assistant Secretary for Administration and Management		
Improvements Are Needed in DOL IT Security Remediation Efforts; Report No. 23-11-002-07-001; 09/14/11	2	0
Verification of Office of the Assistant Secretary for Administration and Management Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-012-07-001; 09/14/11	0	0
Information Technology Security Conditions Needing Management Action Exist for DOL Support Portal File Share; Report No. 23-11-018-07-001; 09/02/11	1	0
Federal Information Security Management Act Audit of OASAM's Safety & Health Management System; Report Number: 23-11-025-07-001; 09/30/11	1	0
Federal Information Security Management Act Audit of OASAM E-Procurement System and Employee Computer Network/Departmental Computer Network; Report No. 23-11-029-07-001; 09/30/11	2	0
Office of the Chief Information Officer		
Significant Deficiencies Persist in DOL's Information Technology Security Program; 23-11-005-07-001; 09/21/11	2	0
Verification of Office of Office of the Chief Information Officer Remediation Efforts of Prior Year Security Recommendations; Report No. 23-11-016-07-720; 09/22/11	0	0

Other Reports, continued

Federal Information Security Management Act Audit of OCIO Entity-Wide IT Security Controls; Report No. 23-11-030-07-001; 09/30/11	4	0
Office of the Chief Financial Officer		
Federal Information Security Management Act Audit of the CFO PeoplePower and New Core Financial Management System; Report No. 23-11-028-13-001; 09/30/11	3	0
Testimony - Investigating Financial Mismanagement at the U.S. Department of Labor; Report no. 25-11-904-13-001; 06/02/11	0	0
Goal Totals (13 Reports)	**50**	**0**
Other Report Totals (26 Reports)	**87**	**0**

Single Audit Reports Processed

Program Name Report Name	# of Nonmonetary Recommendations	Questioned Costs ($)	Funds Put To Better Use ($)
Employment and Training Programs			
Veterans Employment and Training Services			
State of Louisiana; Report No. 24-11-543-02-201; 05/06/2011 1/	0	147,057	0
State of New Hampshire; Report No. 24-11-571-02-201; 06/29/2011	1	0	0
Indian and Native American Programs			
College of Menominee Nation; Report No. 24-11-562-03-355; 8/19/11	3	20,355	0
Turtle Mountain Band of Chippewa Indians; Report No. 24-11-592-03-355; 08/09/11	1	0	0
Senior Community Service Employment Program			
National Indian Council on Aging; Report No. 24-11-537-03-360; 04/26/11	1	0	0
San Carlos Apache Tribe Workforce Investment Act Program; Report No. 24-11-558-03-360; 07/06/11	1	0	0
Workforce Investment Act			
American Youthworks; Report No. 24-11-536-03-390; 04/29/11	1	0	0
Metro United Methodist Urban Ministry; Report No. 24-11-539-03-390; 04/28/11	1	0	0
State of Kansas; Report No. 24-11-540-03-390; 04/29/11	3	0	0
State of Nevada; Report No. 24-11-541-03-390; 04/29/11	8	0	0
The Corps Network; Report No. 24-11-544-03-390; 05/16/11	3	0	0
Pinal County Community College District; Report No. 24-11-545-03-390; 05/16/11	1	0	0
State of Delaware; Report No. 24-11-548-03-390; 05/17/11	8	14,834	0
Learningworks FKA Portland West, Inc.; Report No. 24-11-550-03-390; 05/25/11	2	0	0
State of Florida; Report No. 24-11-551-03-390; 05/26/11	4	0	0
State of Connecticut; Report No. 24-11-552-03-390; 06/01/11	8	475,477	0
Arizona Women's Education and Employment, Inc.; 24-11-553-03-390; 05/26/11	6	0	0
Youthbuild Lake County, Inc.; 24-11-554-03-390; 06/03/11	1	0	0
Jewish Renaissance Foundation, Inc.; Report No. 24-11-557-03-390; 06/17/11	2	0	0
State of Nebraska; Report No. 24-11-559-03-390; 06/14/11	12	16,345	0
State of Wyoming, Report No. 24-11-560-03-390; 06/17/11	2	0	0
State of Wisconsin; Report No. 24-11-561-03-390; 06/20/11	4	10,082,879	0
State of Washington Office of Financial Management; Report No. 24-11-563-03-390; 06/16/11	3	0	0
State of Maine; Report No. 24-11-565-03-390; 06/20/11	4	0	0
State of Oklahoma; Report No. 24-11-566-03-390; 06/22/11	4	0	0
Dillard University; Report o. 24-11-569-03-390; 08/02/11	6	0	0
State of New Hampshire; Report No. 25-11-570-03-390; 06/29/11	8	0	0
WorkforceCONNECTIONS; Report No. 24-11-575-03-390; 06/30/11	2	0	0
Goodwill Industries of Southern Nevada, Inc., 12/31/2009 and 2008 for the Financial Position Ended December 2008; Report No. 24-11-576-03-390; 07/25/11	1	0	0

Single Audit Reports Processed, continued

Michigan Department of Energy, Labor, and Economic Growth; Report No. 24-11-578-03-390; 07/06/11 2/	6	170,726	0
Housing Authority of East Baton Rouge Parish; Report No. 24-11-584-03-390; 07/25/11	1	0	0
Mexican American Alcoholism Program, Inc.; Report No. 24-11-585-03-390; 07/25/11	1	0	0
National Council of LaRaza; Report No. 24-11-586-03-390; 08/09/11	2	0	0
Opportunities Industrialization Center of Washington; Report No. 24-11-587-03-390; 08/02/11	2	0	0
The Directors Council; Report No. 24-11-588-03-390; 08/04/11	2	2,667	0
Government of Guam; Report No. 24-11-589-03-390; 08/02/11	1	0	0
South Carolina Department of Employment and Workforce; Report No. 24-11-590-03-390; 08/04/11	4	0	0
Michigan Department of Agriculture; Report No. 24-11-591-03-390; 08/09/11	1	0	0
St. James Parish; Report No. 24-11-594-03-390; 08/09/11	1	0	0
Oregon Human Development Corporation; Report No. 24-11-595-03-390; 08/11/11	2	0	0
Goodwill Industries of Southern Nevada, Inc., 12/31/2010 and 2009 for the Financial Position Ended December 2009; Report No. 24-11-596-03-390; 07/25/11	1	27	0
Government of the District of Columbia; Report No. 24-11-597-03-390; 08/11/11	7	304,473	0
The Navajo Nation; Report No. 24-11-598-03-390; 08/19/11	4	166,202	0
Territory of American Samoa; Report No. 24-11-599-03-390; 8/25/11	6	0	0
Mi Casa Resource Center; Report No. 24-11-600-03-390; 9/15/11	1	0	0
State of Alabama; Report No. 24-11-601-03-390; 9/15/11	1	0	0
Michigan Veterans Foundation; Report No. 24-11-602-03-390; 9/15/11	1	0	0
Colusa County One-Stop Partnership; Report No. 24-11-603-03-390; 05/16/11	2	4,999	0
Goal Totals (48 Reports)	**147**	**11,406,041**	**0**
Worker Benefit Programs			
Unemployment Insurance Service			
New Mexico Department of Workforce Solutions; Report No. 24-11-535-03-315; 04/19/11	3	0	0
State of Colorado; Report No. 24-11-538-03-315; 10/18/10	5	0	0
State of Louisiana; Report No. 24-11-542-03-315; 05/06/11 3/	3	1,664,144	0
State of Missouri; Report No. 24-11-546-03-315; 05/16/11	3	0	0
State of California; Report No. 24-11-547-03-315; 05/19/11	4	0	0
State of North Carolina; Report No. 24-11-549-03-315; 05/19/11	15	1,705,168	0
State of Vermont; Report No. 24-11-555-03-315; 06/16/11	4	0	0
State of Arizona; Report No. 24-11-556-03-315; 06/14/11	3	6,713,439	0
State of Ohio; Report No. 24-11-567-03-315; 06/21/2011	1	0	0
State of West Virginia; Report No. 24-11-568-03-315; 06/22/11	3	6,037	0
State of Rhode Island; Report No. 24-11-572-03-315; 06/29/11	12	0	0
Commonwealth of Massachusetts; Report No. 24-11-573-03-315; 06/30/11	7	0	0
State of South Dakota; Report No. 24-11-574-03-315; 06/30/11	5	0	0
State of New Jersey; Report No. 24-11-577-03-315; 07/06/11	1	0	0
State of Minnesota; Report No. 24-11-580-03-315; 07/06/11	2	3,219,000	0

Single Audit Reports Processed, continued

State of Georgia; Report No. 24-11-581-03-315; 07/06/11	4	0	0
State of Iowa; Report No. 24-11-582-03-315; 07/25/11	3	0	0
State of Oregon; Report No. 24-11-583-03-315; 07/25/11	1	218	0
Goal Totals (18 Reports)	**79**	**13,308,006**	**0**
Worker Safety, Health, and Workplace Rights			
New Mexico Environment Department; Report No. 24-11-564-10-001; 06/17/11	1	0	0
Michigan Department of Energy, Labor and Economic Growth; Report No. 24-11-579-10-001; 07/06/11 4/	1	17,820	0
Farmworker Justice; Report No. 24-11-593-10-001; 08/02/11	1	0	0
Goal Totals (3 Reports)	**3**	**17,820**	**0**
Report Totals (69 Reports)	**229**	**24,731,867**	**0**

1/ This Single Audit also found questioned costs related to unemployment insurance grants issued by the Employment and Training Administration - see Report No. 24-11-542-03-315.

2/ This Single Audit also found questioned costs related to grants issued by the Occupational Safety and Health Administration - see Report No. 24-11-579-10-001.

3/ This Single Audit also found questioned costs related to grants issued by the Veterans Employment and Training Service - see Report No. 24-11-543-02-201.

4/ This Single Audit also found questioned costs related to Workforce Investment Act grants issued by the Employment and Training Administration - see Report No. 24-11-578-03-390.

Unresolved Audit Reports Over Six Months Old

Agency	Date Issued	Name of Audit	Report Number	# of Recommendations	Questioned Costs ($)
Nonmonetary Recommendations and Questioned Costs					
Final Management Decision/Determination Issued By Agency Did Not Resolve; OIG Negotiating with Agency					
OSHA	09/30/10	OSHA Needs to Evaluate the Impact and Use of Hundreds of Millions of Dollars in Penalty Reductions as Incentives for Employers to Improve Workplace Safety and Health	02-10-201-10-105	7	0
OSHA	09/30/10	Complainants Did Not Always Receive Appropriate Investigations Under the Whistleblower Protection Program	02-10-202-10-105	1	0
ESA	03/23/11	OWCP Needs to Improve Its Monitoring and Managing of Defense Base Act Claims	03-11-001-04-430	2	0
Final Determination Not Issued by Grant/Contracting Officer by Close of Period					
Job Corps	03/31/11	Los Angeles JCC Did Not Ensure Best Value In Awarding Sub-Contracts	26-11-001-01-370	1	2,475,460
Job Corps	09/30/09	Performance Audit of Management and Training Corporation	26-09-001-01-370	1	63,943
Job Corps	09/30/08	Performance Audit of Applied Technology System, Inc. Job Corps Centers	26-08-005-01-370	2	678,643
OSHA	01/09/09	Procurement Violations and Irregularities Occurred In OSHA's Oversight of a Blanket Purchase Agreement	03-09-002-10-001	1	681,379
Job Corps	03/18/10	Performance Audit of Education and Training Resources	26-10-003-01-370	5	22,758
ETA	03/31/10	Recovery Act: ETA Needs to Strengthen Management Controls to Meet YouthBuild Program Objectives	18-11-001-03-001	1	214,124
Job Corps	08/10/10	Performance Audit of MINACT, Inc. Job Corps Operator	26-10-004-01-370	6	203,921
Job Corps	09/24/10	Applied Technology Systems, Inc. Overcharged Job Corps for Indirect Costs	26-10-006-01-370	1	1,800,000
VETS	09/30/10	VETS Needs to Strengthen Management Controls Over the Transition Assistance Program	06-10-002-02-001	1	2,300,000
VETS	03/31/11	Kansas' Controls Over Jobs For Veteran State Grant Contract Reporting and Monitoring Need To Be Strengthened	04-11-002-01-070	2	167,065
BLS	03/31/11	BLS Could Do More To Ensure That Labor Force Statistics Program Funds Are Expended and Reported In Accordance With The Labor Market Information Agreements	17-11-001-11-001	1	39,273
Total Nonmonetary Recommendations, Questioned Costs				**32**	**8,646,566**

Investigative Statistics

	Division Totals	Total
Cases Opened:		332
Program Fraud	294	
Labor Racketeering	38	
Cases Closed:		225
Program Fraud	182	
Labor Racketeering	43	
Cases Referred for Prosecution:		193
Program Fraud	158	
Labor Racketeering	35	
Cases Referred for Administrative/Civil Action:		96
Program Fraud	80	
Labor Racketeering	16	
Indictments:		226
Program Fraud	170	
Labor Racketeering	56	
Convictions:		172
Program Fraud	137	
Labor Racketeering	35	
Debarments:		35
Program Fraud	14	
Labor Racketeering	21	
Recoveries, Cost Efficiencies, Restitutions, Fines/Penalties, Forfeitures, and Civil Monetary Actions:		$50,862,453
Program Fraud	$21,097,776	
Labor Racketeering	$29,764,677	

Recoveries: The dollar amount/value of an agency's action to recover or to reprogram funds or to make other adjustments in response to OIG investigations	$4,394,485
Cost-Efficiencies: The one-time or per annum dollar amount/value of management's commitment, in response to OIG investigations, to utilize the government's resources more efficiently	$2,831,944
Restitutions/Forfeitures: The dollar amount/value of restitutions and forfeitures resulting from OIG criminal investigations	$39,092,042
Fines/Penalties: The dollar amount/value of fines, assessments, seizures, investigative/court costs, and other penalties resulting from OIG criminal investigations	$1,535,796
Civil Monetary Actions: The dollar amount/value of forfeitures, settlements, damages, judgments, court costs, or other penalties resulting from OIG civil investigations	$3,008,186
Total	**$50,862,453**

Peer Review Reporting

The following meets the requirement under Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) that the Inspectors General include their peer review results as an appendix to each semiannual report. Federal audit functions can receive a rating of "pass," "pass with deficiencies," or "fail." Federal investigation functions can receive a rating of "compliant" or "noncompliant."

Peer Review of DOL-OIG Audit Function

The Department of Transportation (DOT)-OIG conducted a peer review of the system of quality control for DOL-OIG's audit function for the year ending on September 30, 2009. This peer review, which was issued on February 3, 2010, resulted in an opinion that the system of quality control was suitably designed and provided a reasonable assurance of DOL-OIG conforming to professional standards in the conduct of audits. The peer review gave DOL-OIG a pass rating and made no recommendations.

Peer Review of DOL-OIG Investigative Function

The Treasury Inspector General for Tax Administration initiated in FY 2010 a peer review of the system of internal safeguards and management procedures for DOL-OIG's investigative function for the year ending on September 30, 2010. This peer review found DOL-OIG to be compliant and made no recommendations.

Whistleblower Reporting

Under the American Recovery and Reinvestment Act of 2009 (ARRA) (P.L. 111-5), an employee of any non-Federal employer receiving covered ARRA funds may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing information that the employee reasonably believes is evidence of: 1) gross mismanagement of an agency contract or grant relating to covered funds; 2) a gross waste of covered funds; 3) a substantial and specific danger to public health or safety related to the implementation or use of covered funds; 4) an abuse of authority related to the implementation or use of covered funds; or 5) a violation of law, rule, or regulation related to an agency contract or grant, awarded or issued relating to covered funds.

The following meets the requirements under this Act that the Inspectors General include in each semiannual report: a list of those investigations for which the Inspector General received an extension beyond the applicable 180-day period to conduct an investigation and submit a report (Section 1553(b)(2)(B)(iii)), and a list of those investigations the Inspector General decided not to conduct or continue (Section 1553(b)(3)(C)).

The OIG closed two Recovery Act whistleblower complaints during this semiannual reporting period.

With respect to the first complaint, an individual submitted a complaint to the OIG claiming that she had been terminated from a Recovery Act-funded position in retaliation for disclosing information related to alleged fraud and/or irregularities by her employer, who was a Recovery Act grantee. This complaint was reviewed by the OIG, and the OIG interviewed the complainant on several occasions. The OIG determined that there was insufficient information indicating that the employer was aware of her complaints regarding the alleged fraud before she was terminated. Accordingly, the OIG decided not to take any further action with respect to this retaliation complaint.

With respect to the second complaint, an individual submitted a complaint to the OIG claiming that he had been retaliated against by a State workforce board that he worked for and that received Recovery Act funds, because he had reported alleged violations of the Workforce Investment Act. The OIG was informed that the State planned to investigate the individual's retaliation claims, and the OIG closed its investigation.

OIG Hotline

The OIG Hotline provides a communication link between the OIG and persons who want to report alleged violations of laws, rules, and regulations; mismanagement; waste of funds; abuse of authority; or danger to public health and safety. During the reporting period April 1, 2011, through September 30, 2011, the OIG Hotline received a total of 1,220 contacts. Of these, 829 were referred for further review and/or action.

Complaints Received (by method reported):	**Totals**
Telephone	886
E-mail/Internet	206
Mail	106
Fax	21
Walk-In	1
Total	**1,220**
Contacts Received (by source):	**Totals**
Complaints from Individuals or Non-Governmental Organizations	1,170
Complaints/Inquiries from Congress	2
Referrals from GAO	10
Complaints from Other DOL Agencies	10
Complaints from Other (non-DOL) Government Agencies	28
Total	**1,220**
Disposition of Complaints:	**Totals**
Referred to OIG Components for Further Review and/or Action	46
Referred to DOL Program Management for Further Review and/or Action	418
Referred to Non-DOL Agencies/Organizations	365
No Referral Required/Informational Contact	416
Total	**1,245***

*During this reporting period, the Hotline office referred several individual complaints to multiple offices or entities for review (i.e., to OIG components, or to an OIG component and DOL program management and/or non-DOL Agency).

Office of Inspector General, U.S. Department of Labor
200 Constitution Avenue, NW
Room S-5506
Washington, DC 20210

http://www.oig.dol.gov/

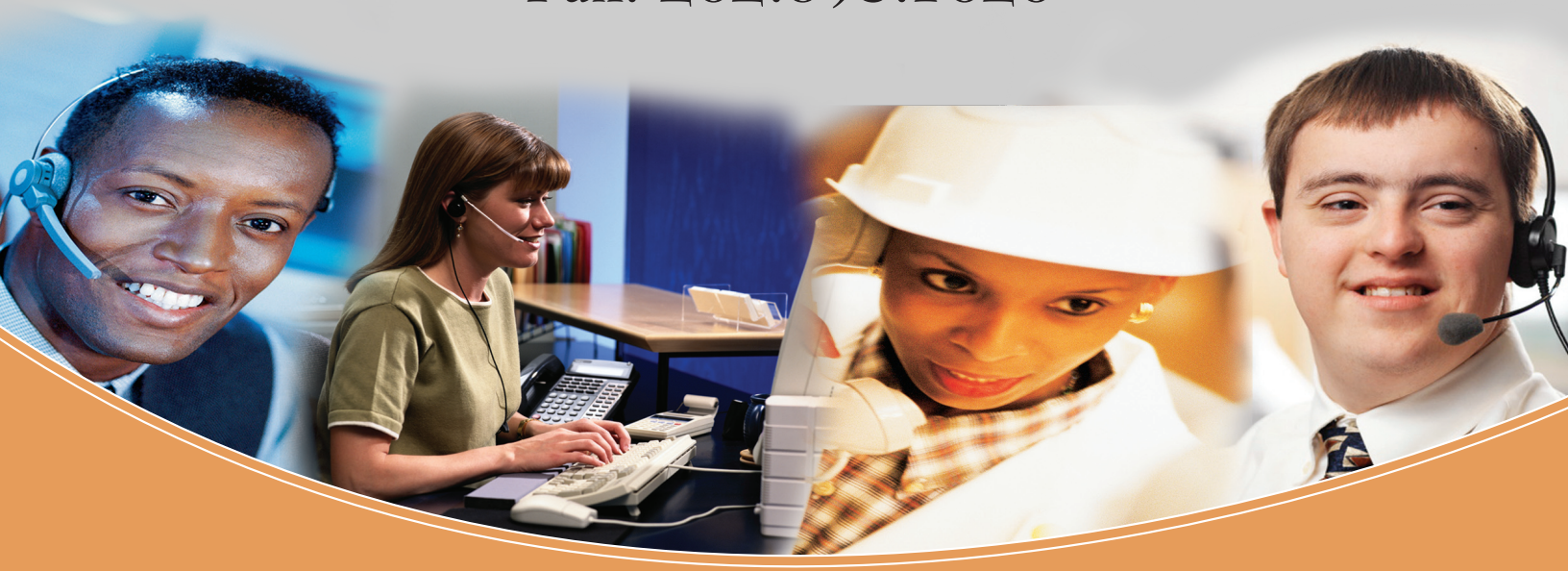
Office of Inspector General
United States Department of Labor

Report Fraud, Waste, and Abuse

Call the Hotline

202.693.6999 800.347.3756

Email: hotline@oig.dol.gov
Fax: 202.693.7020



The OIG Hotline is open to the public and to Federal employees 24 hours a day, 7 days a week to receive allegations of fraud, waste, and abuse concerning Department of Labor programs and operations.

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